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**The Financial Administration of
Great Britain**

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The Budget

By RENE STOURM

Edited By WALTER FLARIUS McCaleb

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THE BUDGET

BY RENÉ STOURM

MEMBRE DE L'INSTITUT
PROFESSEUR A L'ÉCOLE DES SCIENCES POLITIQUES

A TRANSLATION

FROM THE SEVENTH EDITION OF *LE BUDGET*
(*COURS DE FINANCES*), PARIS, 1913

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FOREWORD

As the title page of this book indicates, the translation was made by Mr. T. Plazinski. The manuscript came to me for editing only, and while I have modified the text extensively, it is still that of the translator. My changes have mainly dealt with the expression and not the sense, and only where some question was raised has the text been rigidly checked. Those who are experienced in the matter of translations know that many variations may flow from a single phrase—almost as many as there are translators. Hence this infirmity of language should be borne in mind by those critically inclined.

Although much care has been taken in its preparation, the editor feels it is his duty to say frankly that he is not satisfied with the translation of this notable book. However, this could hardly be otherwise, for no translation is ever entirely satisfactory. Even if the sense of the author is not missed on occasion, the spirit of the work defies all attempts to encompass it.

It was no light task to render into English the six hundred and twenty pages of "Le Budget"—even leaving out of consideration the difficulties presented by the text. In the first place, M. Stourm wrote with the evident design of telling a story of institutional development, largely designed for a French audience. While his story is instructive, even entertaining, not infrequently the details render it difficult to get a clear view of the broad principles at work and of the conclusions reached.

In faithfully following the text, not infrequently matter was included which, from the viewpoint of its use to American readers, might well have been omitted. The form of the discourse is also preserved. For instance, M. Stourm has occasionally lapsed into the first person, but we have not ventured even to vary this form of his narrative. We have felt that it was not for us to attempt to change his mode and manner of expression, to shape his meaning in phrase of our own, but rather to adhere to his structure and to express his meaning as nearly as we might—at all times feeling it a duty to make this clear to an English-speaking and particularly to an American-reading public.

With this clear task before us, at times we have despaired, and the shade of this despair has been dark enough. The difficulties of

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rendering official and technical French into the English language, barren of corresponding terms, can be appreciated only by one who has attempted it. When there have been added to this the mysteries of French idiom, a combination has been established well-nigh defying the ingenuity of any translator. Doubtless we have at times missed the exact meaning. For all these errors we can but crave the indulgence of both author and reader.

Just a word on the technique: We have been compelled in some cases to adopt French terms for which we are without equivalents in English, as, for instance, *département*, *cour des comptes*, *taxes assimilées*, *ordonnateur*, etc. We feel that here we have ample warrant for our course. Also we have followed M. Stourm's italics almost without exception and in those cases we have used quotation marks. We have, too, burdened our text with French official or technical terms and phrases, in parentheses, which appeared to us as possibly necessary for the student who might wish to pursue further the subject. There are a number of bracketed addenda and footnotes which, with a few exceptions, were supplied by Dr. Frederick A. Cleveland, under whose general direction the translation was undertaken, who, also, took occasion on nearly every page to leave the marks of his excellent judgment. While effort was made to locate all citations, some of them were hopelessly lost in foreign archives and we were forced to adopt the expedient of again rendering into English what M. Stourm had converted into French, a perilous venture at best. Where it has been necessary to do this the half quotation mark has been used.

Another liberty has been taken: To make the book conform to the style of the series, "Studies in Administration," we have introduced marginal sideheads, and revised the chapter synopses to follow these and the main heads of the chapter subdivisions. On account of delays and interruptions in the foreign mail service, it has appeared unwise to attempt to submit these to the author for approval before publication.

WALTER F. MCCAULEY.

INTRODUCTION

The translation of M. Stourm's "Le Budget" into English is timely and significant. All about us are signs of increasing interest in finance and budget making. The amount of literature on these subjects already available in the United States is proof that American students and publicists are aware of their importance. Moreover, philosophizing is being followed by action. Even if the protests of the taxpayers had not become an impelling force in the direction of budget reform, the difficulties of the legislators in meeting the rising cost of government would have prepared them for a revision of their obsolete methods. The work has already been begun in a tentative and halting way. Evidences are to be found in the Maryland budget amendment of 1916 and in the recent legislation of New Jersey, Minnesota, Nebraska, Illinois and New York. In response to the outcry against waste and extravagance in government, four of the national parties in 1916 declared in favor of some measure of budget reform. Politicians most vociferous in their defense of practices discredited in every other civilized nation are beginning to admit that all is not well. Observant leaders in Congress and state legislatures are aware that the day of thorough-going reconstruction cannot be postponed much longer.

At such a season, it is fortunate that citizens who are taking thought about the matter now have at hand M. Stourm's excellent treatise on the art and practice of budget making. It is an admirable supplement to the first volume of this series, which deals with English methods alone.¹ With a scholar's respect for historical foundations, the author describes clearly and pertinently the leading steps in the evolution of modern fiscal devices. And yet, being essentially practical in his purpose, he gives his attention mainly to a systematic analysis of budget-making processes and to the formulation of concrete answers to the innumerable questions which must arise in the minds of those who are seriously interested in developing the most effective methods of preparing estimates of appropriations, consolidating and reviewing requests, shaping legislative procedure in fiscal matters, and securing administrative control over spending officers.

¹ "The Financial Administration of Great Britain."

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In addition to being timely, M. Stourm's treatise is of special significance for the United States. In many ways the experience of France has been more akin to that of the United States than has the experience of England. The first French republic was established only a few years after the Declaration of Independence. Indeed the famous convocation of the Estates General, which really opened the French Revolution, was in the spring of the very year that saw the first inauguration of Washington. That Revolution, like the American uprising, took the form—at least so far as government was involved—of a revolt against executive authority. In France and the United States we do not find, as in England, a gradual evolution of democracy in which the executive or budget-formulating branch of the government was subjected to legislative control. In those countries there was a sudden and determined revolt against kingly government and a violent overturning of the authorities against which democratic control asserted itself. In this overturning, executive authorities were supplanted entirely by representatives of the people—the branch of the government which was designed for deliberation, rather than action, because the very idea of an executive had become associated in the minds of the people with cruel and irresponsible rulers, with oppressive taxation and arbitrary administrative practices. Louis XVI was forced to call the Estates General because his extravagance and inefficiency had brought his government to the verge of bankruptcy. For lack of support, the institutional retaining walls gave. Then came the deluge. The Third Estate, exasperated beyond measure and taught by experience to distrust royal promises, subjected the crown to legislative dominion and then in a short time overthrew the monarchy altogether. Arbitrary executive management of finances having failed miserably, by a chain of reasoning acceptable to the masses, legislative management was substituted for it.

This, too, was what was done in the United States. When the official representatives of George III were driven out, the people resorted to the legislature as the palladium of democracy. The representative body could do everything. In some states even the term "governor" was not used because it savored of royal despotism. The French and American "fathers" wisely determined upon securing liberty at any cost. And they so planned their institutions—giving little thought to things needful to make the government efficient. In fact one of the purposes to be achieved was inefficiency so far as the executive was concerned.

In the French Constitution of 1791, as in the American Constitutions, the dominant note was the defense of the individual against

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governmental interference. Historians have recorded how American state constitutions were translated into French and widely circulated in Europe on the eve of the great French uprising, and no one can doubt that they profoundly influenced French thinking. The remedy for the evils of state which the people at that time suffered was thought to be a constitutional declaration of rights and legislative supremacy. A government endowed with power to act speedily and effectively was regarded as dangerous to individual liberty. Insecurity of persons and property was associated with arbitrary government in the eighteenth-century mind. There seemed to be more promise for mankind in weakness than in strength. Moreover, before the age of steam and corporate enterprise, the philosophy was sound enough, although there were grave difficulties in the way of consistent practice. In the century which followed the Revolution, political power in France shifted unsteadily backward and forward between the legislature and the executive, until at last there was established a ceremonial presidency and responsible cabinet government.

For citizens of the United States there are many lessons in the French struggle to reconcile strong administration with popular control—to establish strong leadership and to safeguard democracy. First in this country came the reaction against arbitrary executive power, so strong that the legislature took over the work of administration as well as of legislation. M. Stourm tells us of the efforts of the assemblies of 1789 and the following years—directed not alone to securing the right of approving or disapproving the acts and proposals of a responsible executive, but to conducting the actual administration of public offices and of finances in general and in detail. It is not necessary to criticize this development. It is important rather that it should be understood. Having suffered from the undoubted evils of an arbitrary monarch, the Third Estate bent its energies to the inhibition and then to the destruction of his authority. When once this was done, however, the French people found that they had government by irresponsible committees instead. Thus Mirabeau, the great leader in the transformation of the Estates General into the National Assembly, finding himself surrounded by a hungry crowd of representatives, was forced to exclaim, "I never hear anything but that . . . we must have more."

It must be conceded that the popular assemblies which took the place of the absolute monarchy contributed much to democracy but little to efficient administration. The wickedness of despots was overborne, but other evils sprang up. In the place of the king's

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favorites at the "pork barrel," there were the hungry politicians from the provinces. Without questioning the immense and enduring services of the French Revolution to democracy, one cannot help observing that the burden of extravagance and waste thrown upon the nation can hardly be said to have been lightened.

When the revenues failed to cover expenditures, the assemblies resorted to paper money. As American boards of aldermen issued fifty-year bonds to pay the cost of ordinary government, so the French assemblies issued legal tenders to meet current bills. M. Stourm observes: "When the *assignats* came into use, every calculation, every provision for the future, and in a word every idea of the Budget plan, disappeared. What was the use of bothering about a balance when the paper revenues would most assuredly balance the expenditure?" By inflation and numerous borrowings, the French statesmen were able to cover their ever-growing extravagance and escape the day of reckoning. Those familiar with the course of American financial history will have no difficulty in drawing parallel illustrations of their own.

Having destroyed unity and responsibility in the government, the French made the individual members a law unto themselves by permitting them to introduce without limit measures carrying charges upon the treasury and to use the power of trading to force through their special and local demands. "In France the deputies until recently," says M. Stourm, "had the power of proposing individually and at will any increase of expenditures and any reduction of revenues. The initiative of the Parliament in the matter of the Budget was coincident with the initiative of the Executive which was thus proportionally reduced. From this resulted two great abuses: An open door for ill-advised action and destruction of the equilibrium of the Budget, the first causing the second. Ill-advised action was inevitable from the moment each deputy was permitted to set forth on the floor his reasons for asking an increase of expenditures or for a reduction of revenues, according to his individual opinion or in behalf of his constituency. Such pleadings, studied with particular care by their authors, masterfully presented, often with passion, stood a good chance for influencing the Assembly. In a general way, however, it should be noted how matters of taxation or public expenditures treated separately and without regard to balance became misleading. A suggestion to increase the appropriation for some branch of service in need, to increase the salaries of subordinate employees insufficiently paid, or to increase the pensions of former servants of the State or those of poor members of mutual aid societies, etc., to make an appeal to the generosity of the heart or

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patriotic pride of the auditors, is an easy way to achieve an irresistible success."

In the matter of legislative procedure upon appropriation bills, the French experience for a long time paralleled that of the United States. When the King was overthrown, Parliament began to do its work through committees. Thus responsibility for expenditures was transferred from the King to the assembly and from the assembly to the committee room, each committee becoming a small legislature with almost absolute authority over the business committed to it. Parliament was reduced to the level of a mere ratifying body. Committees became jealous of their powers. If a member resisted action of a committee of which he was not a member, he jeopardized not only his personal measures, but also those of the committee upon which he served. Debate upon measures thus became as futile as in the New York State legislature. Although within recent years, as M. Stourm points out, there have been many modifications in committee government and although attempts have been made to adjust it to the necessities of executive leadership and efficient administration, there are still remnants of the old decentralization that remind us of the American system.

In M. Stourm's record of the development of the appropriation bill, the reader will likewise find many passages that seem familiar. In the early days the appropriation bill in France embraced only one item. Gradually the legislature resolved upon a higher and higher degree of itemization until at last it undertook to list in advance hundreds of petty details which should have been left to executive discretion. In reading these chapters from French history we are constantly reminded of President Wilson's illuminating treatise on "Congressional Government."

It must not be thought that this system was without its opponents even among early French parliamentarians. But reform was long postponed. Expenditures steadily mounted and the public debt increased to alarming proportions. At length men of financial experience, like M. Ribot, declared that the right of private members to initiate money bills enabled the most active and the noisiest rather than the most deserving to reap the benefits. Finally some very interesting changes, duly reported by M. Stourm, were introduced. The executive, that is, of course, the responsible cabinet, was enabled to take the initiative, and individual members were deprived of the right to exercise functions which should be attached to acknowledged leadership. But France did not go the whole length and adopt the British practice in this matter. As M. Stourm observes, "This attempt to make the executive responsible for initiating

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the Budget has been resisted until there is little prospect in the near future of the principle obtaining the support which it deserves. The only thing that can be done is for the practice to remain as at present and for the modification referred to above to render such service as it may, until a wave of economy gives it a broader application."

Slowly in France the idea was evolved also that the business of the nation should be handled as a whole in a broad and intelligent way. It then became necessary to break down little monopolies of committees and administrative bureaus and to bring all revenues and expenditures under review as a single national plan. M. Stourm relates the history of this effort and of the opposition on the part of the bureaucracy—legislative and administrative. In going through these pages, one imagines that he is reading a description of American legislatures and administration. It was found during the reform movement in France that institutions and divisions of government which had long been receiving appropriations as a matter of course had grown to regard their revenues as private property and were unwilling to surrender any part of their incomes or even to give a full accounting of their own operations and the uses to which their funds were put. Millions of francs were hidden away in little side pockets of the administration and it required all the ingenuity and determination of statesmen driven to desperation by financial distress to break down the system of special funds and continuing appropriations.

The one thing that seems necessary, in M. Stourm's view, to perfect French practice is to follow the lines of English experience to their logical conclusion. He gives it as his personal opinion that England has outdistanced all other nations in financial management. He especially commends the spirit and purpose of the British rule of 1706, which places the responsibility for the initiation of appropriation measures solely upon the executive branch of the government, and deprives the House of Commons of the power to add to the demands made upon the treasury by the executive. In passing, it is interesting to note that M. Stourm has ancient and honorable authority for his view. More than a century ago that famous Minister of Finance, Necker, said: "The National Assembly made a mistake by requiring its committees to give an account of the condition of finances. This is a mission which the National Assembly should have left to the chief of the Department of the Public Treasury, reserving only to the commissioners appointed by the Assembly the right of revision and control of the accounts."

It is not necessary to cite further parallels in order to show that M. Stourm has a distinct message for this country. In closing, however, it is worth while to call attention to another outstanding feature

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of his volume. In these pages we find how inadequate is the notion, entertained in many quarters in the United States, that a complete budget system can be installed by a brief act of the legislature providing for executive preparation and submission of estimates.

As the New York Bureau of Municipal Research has properly warned us:¹ "It might as well be said, once for all, that a budget system involves fundamental executive and legislative practices, carefully devised accounting methods, adequate expert service, efficient record keeping and work reporting—in short, all of the processes of good management. This is so in England, it is so in Germany, it is so in France, it is so in Japan, in Canada, and in every country where a budget system is in operation, even though there are, of course, certain differences in procedure. It involves an abandonment on the part of the public of the traditional attitude that the treasury exists for the satisfaction of local needs. It involves the training of public servants equipped to operate a system based on sound business principles. Whoever expects, therefore, to rush a 'budget bill' through the coming legislature and to see an immediate revolution in finances is destined to be disappointed. Advocates of a budget system have before them a season of scientific research into accounting and reporting methods, civil service practices, public works management, cost measurement and record keeping. Moreover, they have before them a long campaign of public education." M. Stourm's volume is an eloquent commentary on the complexity of the budget-making process.

CHARLES A. BEARD.

May 11, 1917.

¹ See No. 80 of "Municipal Research."

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This new edition makes no change in the arrangement of subjects previously adopted, and contains exactly the same number of pages as the edition of 1909. Have there been no changes in budgetary history and ideas during the past four years? If this were the case, it would be rather surprising. The changes which have been made consist primarily of the progressive development in practices, good or bad, already indicated; on the one hand, there has been an increase in expenditures, and on the other, greater strictness as to formalities [procedure] has been observed—two things which seem in a sense to contradict one another.

Expenditures—already alarming in 1889, 1891, 1896, 1900, 1906 and 1908, as shown in an impressive way by the extracts from the prefaces printed below—in the last few years have shown new and considerable increases. The budget for 1913, without speaking of unavoidable additional appropriations and excluding the expenditures for Morocco and other regrettable items, reached the figure of 4,664,000,000 francs. This exceeded the most pessimistic anticipations. Everybody is disquieted but helpless—the Minister of Finance, the budget commissions, speakers, writers, and undoubtedly the whole country, although the manifestations are not sufficiently outspoken.

The thing which most perplexes the cautious mind is the impossibility of discovering anything on which to base a hope for the future curbing of these excesses. In the last resort, the evil might be endured, as France is financially strong, if this condition had been brought about by a specific expenditure or through the operation of a limited program to be concluded within a given period of time. But nothing is limited and nothing is temporary in the multiplied increases of appropriations constantly granted to the ministers, the total of which is huge—disbursals we should hesitate at calling waste but which certainly do not deserve the term economy. Grave events alone will some day put an end to these destructive practices, leaving to us, however, the burden occasioned by the irreparable errors of the past.

Unfortunately, neighboring countries encourage this constant increase of expenditures by their example, which example, however, is conservative. In England, the evil is restricted to expenditures for the Army, the Navy, and for social betterment—the limits of which

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may soon be reached. The plague of additional appropriations, which in our country [France] affects all the ministries, occurs in England only in exceptional cases, as for instance, in connection with the Navy in July 1912. As a rule, at the year's end the Chancellor of the Exchequer regularly renders accounts showing *disbursed* expenditures lower than the amounts actually *voted*. We are not considering in this connection the large amortizations practiced in connection with the English public debt, which is smaller than ours, nor do we include surpluses of revenues by which the budgets are very materially supplemented. The statistics of German finances, of the Empire as well as of the individual States, show considerable increases of appropriations and of debt since 1871. During the past few years, however, the total of extraordinary expenditures has decreased materially. Furthermore, regardless of the degree of intensity of the budgetary development in these countries—much more recently and much less heavily indebted than ours—we discover in them the existence of considerable taxable resources available in case of necessity, not found elsewhere. As yet the budgetary levies have not exhausted the taxable substance.

The second phenomenon, the development which has kept pace with increasing expenditures, lies, as has been stated, in greater strictness of budgetary regulations (*formalités*). It is obvious that strict regulations do not succeed in checking the rising tide of expenditures, but they guarantee the order, the clearness, and the regularity of budgetary operations. This means much, much more than the public at large realizes. It follows that officials charged with carrying budgets into effect commit no error. All ministers of finance, executives reporting to commissions, speakers, members of the legislature, understand this fact so well that they address themselves with zeal, as we have mentioned elsewhere,¹ to the task of setting up regulations to prevent abuses. This struggle, which characterizes the present epoch, has doubled in intensity during the last few years. Not only did the law of July 13, 1911, specify and widen the functions of comptrollers of expenditures appointed to all ministries, but the decrees of May 13 and August 31, 1911, organized the machinery to make the reports of the *Cour des Comptes* (Court of Accounts) effective, and to prevent the criticisms made in its annual reports from becoming dead letters. The decrees above mentioned have had the approval of all the members of the Cabinet.

Another decree of August 31, 1911, approved in the same way, requires that the comptrollers of expenditures appointed to all the ministries shall meet every three months at the office of the Minister

¹ See our article, "L'armature des budgets," in the *Economiste Français* for June 8, 1912.

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of Finance, under the chairmanship of the director general of public accounts. Finally, the decree of October 6, 1912, sets in motion the machinery of special control (an interministerial commission)—composed of the ministries of War, the Navy, the Colonies, the Interior, and Finance—which is to focus its attention on the execution of the budget and to examine into the question of regularity and conformity with the votes of the legislature, under the high authority of the Minister of Finance.

The present tendency, then, is to place the ministers—issuing payment vouchers and therefore acting primarily in a disbursing capacity—under the control of the Minister of Finance, who will naturally strive to be economical because he alone is responsible for the equilibrium of the budget. Generally speaking, the program followed with new vigor during the past few years may be recapitulated as follows: Maintenance of the unity of the budget, improvement of its plan, supervision of dark corners and of divided interests, avoiding confusion as between revenues and expenditures, struggling against additional appropriations, against waste, or rather against plunder and against annulments, compelling the disbursing agents to observe scrupulously the decisions of the legislature, carefully guarding credit commitments, closely supervising the carrying into effect of the budget, compelling the agents engaged in this service to render accounts. This is pretty nearly the list, more congested than ever, of matters contained in the present book, which is devoted exclusively to the description of regulations, stripped of illusions as to their possible influence upon the growth of expenditures. The expenditures grow because the legislature wants them to grow. No regulation of itself can possibly prevent this growth. In the wisdom of the legislature lies the only hope for the country.

Regulations, however, prepare the way for wise legislation. They warn the chambers of infractions which have been ascertained, of irregularities and mistakes committed, thus enabling them either to continue in their course or to reform. Beyond this, matters are set out in order and clearly, so that the country may know the condition of its affairs and something of the road on which it moves with the attendant dangers. Finally, the regulations, accompanied by their commentaries, distinguish between the good and the bad, the success and the failure of every measure, on the basis of past experience, marking the reefs on which foundered in former times the argosies of finance, the emergency measures that were used, the causes of periods of prosperity, the origins of new regulations, the examples of neighboring countries. Already a certain degree of wisdom has been displayed, making possible the assembling of regulations which may

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prove susceptible of bringing about such results, and of teaching such lessons. Possibly we shall then be excused for having devoted to their study a book of 620 pages, particularly if this digest of regulations shall be followed by a spontaneous and real outburst of wisdom on the part of the legislature, which shall finally restore a reign of economy.

*Bercenay-en-Othe,
November, 1912.*

EXTRACT FROM THE PREFACE OF THE SIXTH EDITION

On two occasions, in 1789 and at the end of the Directorate, the finances of the country sank into chaos, with nobody able to strike a balance. Today, however, sharp lights disclose the blind progress of the budgets toward a future of expenditures without limit and of taxes, without measure, but the balance sheet of the present public wealth, if it had to be made, would be absolutely correct. The scientists of the future will not need to glean imaginary figures in order to reconstruct it.

Such a statement, including the excessive expenditures, would disclose abnormal and rather alarming characteristics. It is like a too well-kept road, too smooth, too level, which tempts the audacious traveler to exaggerate his pace, to rush at top speed toward the unknown, without possibility of foreseeing the end of his foolish race. Thus, the formal budgetary restrictions seem to have become the accomplices of the abuses of which we are the witnesses. However, one cannot reproach them for only partially protecting us, nor accuse them of abuses which they only try to curb. Their merits, on the contrary, stand out clearly against the evils just mentioned, which grow out of the confusions arising from disorganized finances. Chaos, the forerunner of ruin, is their primordial enemy, and it is already a big task to preserve the budgets from chaos. As long as one sees clearly, it is possible to avoid the reefs most to be dreaded. Furthermore, is it not possible that some day, under the inspiration of this vision, the country may finally become aware of the perils of its extravagances and, while there is time, return to the sane practice of economy? This would mean a real triumph for the budgetary restrictions. The latter, by the way, have only the most honest purposes; their fault is temporary lack of results. Who can number, however, the many ignored cases in which their modest activity prevented or mitigated the evil? Why, therefore, should one lack the courage to extol them, to show the details of their scientifically complicated

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mechanism, to recall their origin, to expose to the light their reason for existence and the salutary mission they have to fulfill?

Bercenay-en-Othe,
November, 1908.

EXTRACT FROM THE PREFACE OF THE FIFTH EDITION

The idea of economy, notwithstanding its small success in the budgets of the State, lies at the bottom of the French mind. But, while in our country individuals economize with obstinacy, the representatives of these very same individuals, charged with their collective interests, abandon themselves to extravagance with equal obstinacy. The actual totals of the French budget for 1906 exceed 3,700,000,000 francs, without speaking of future additional credits [appropriations].

Here would seem to be a case for discouragement, for abandonment of praised principles which appear to lack opportunity of application, but there are motives which not only oppose but urge perseverance.

January, 1906.

EXTRACT FROM THE PREFACE TO THE FOURTH EDITION

In 1896 the French budget plan for 1897 with its 3,387,000,000 francs looked enormous compared with the 3,150,000,000 of 1890. During this period of seven years, the expenditures increased 230,000,000. We termed it an "alarming phenomenon." This phenomenon does not cease to recur; and its very persistence renders it more alarming.

We attempted last year, in an article in the *Economiste français*,¹ to calculate what our budgets are likely to be about the middle of the century. At the present rate of increase the 3,500,000,000 francs of 1899 would be doubled in 1947.² The figures of 1901 already exceed

¹ *Economiste français* for December 16, 1899: "La Restauration financière."

² Here is given a table of the estimates of future budgets cited in that article:

Budget of	1900	3,500,000,000	francs
"	" 1901	3,552,500,000	"
"	" 1902	3,605,800,000	"
"	" 1910	4,060,800,000	"
"	" 1915	4,374,400,000	"
"	" 1920	4,713,400,000	"
"	" 1925	5,076,800,000	"
"	" 1937	6,069,300,000	"
"	" 1945	7,055,500,000	"

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the prediction. Shall this be the case to the end? Taking the average, it is to be feared that the figures will be found to be right. If, therefore, the budgets of France should, in the middle of the century, really reach 7,000,000,000 francs, what is to become of the taxpayers? . . . The fable of the man, proud of carrying a young steer the weight of which finally overwhelmed him, is sufficiently familiar.
September, 1900.

EXTRACT FROM THE PREFACE TO THE THIRD EDITION

The French fiscal system, even if casually approached, looks formidable enough to inspire prospective reformers with respect. Shaped by the Revolution and by succeeding régimes for nearly a century, its waves of progress and retrogression shown in the course of this volume, form particularly encouraging symptoms. . . .

Everything has an end, however, even the good humor of the taxpayers. And from one moment to another conditions may set them in opposition. Accordingly, we entertain no illusions as to believing that the present régime of increasing expenditures can continue indefinitely. Let us be satisfied in knowing that we have more of forbearance than our neighbors can possibly claim for themselves, and that, notwithstanding the heavy budgets, which are forced upon us by dangerous conditions, the marvelous regularity in the payment of taxes may, after all, indicate that we are willing to show our patriotism by substantial monetary sacrifices.¹ But let us acknowledge that the moment has arrived—it arrived long ago—for changing the method.

September, 1896.

EXTRACT FROM THE PREFACE TO THE SECOND EDITION

The abolition of the budgets of extraordinary resources has just been accomplished in France, thus making the first step toward the unity of the budget. One can hope, therefore, soon to see the guaranty of interest in the text of the ordinary budget, as the budget plan for 1892 proposed to include guaranties of interest on the railways of Algiers. But, for the time being, our budgets still consist of four parts, not totaled up (instead of five parts as in former times), and their operations remain obscure and entangled. Additional appropriations, after the excessive ones of 1881 to 1885, appear to have been

¹ See our article, "Le Trésor de Guerre," in the *Revue de Paris*, for March 1, 1896.

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checked two years ago. Today, the tendency again to increase manifests itself and the nature of the demands again becomes alarming.

In England additional appropriations are nearly unknown. Two years ago Mr. Goschen stated, with a justified feeling of pride, that he did not have to ask for a supplement during the fiscal year 1887-1888. The year 1890-1891 balanced with a surplus of revenues of 43,900,000 francs; while 162,500,000 francs had been used for the amortization of the public debt. This is undoubtedly a situation to be envied.

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Italy, owing to her heeding of sound principles, has already succeeded in emerging victoriously from her former difficulties. About 1880 she appeared to reach a sound basis of prosperity. Let us hope that Italy's faith in the fiscal rules may be rewarded, if she but persist in following them.

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In the United States public expenditures, particularly appropriations for military pensions,¹ developed in a disturbing way. In 1878 the number of veterans from the War of Secession drawing pensions did not exceed 223,000. Since then they have multiplied, their number today reaching about 538,000; they draw annually in pensions 533,000,000 francs; it is estimated that they will impose on future budgets a burden of 800,000,000 francs. The American Treasury is perhaps the only one in the world which could stand such a drain.

.

The present revolution in Chile resulted wholly from the conflict which arose over finances between the chief executive and the legislature. In July, 1890, in connection with the bill for revenues, certain difficulties of a constitutional nature suspended their collection for three weeks throughout the country. On January 1, 1891—as President Balmaceda put into execution on his own authority the budget of expenditures, which the chambers had refused to vote—the partisans of Congress appealed to arms and gave the signal for a general uprising.

August, 1891.

¹ "The most menacing specter today endangering the security of the Government and the happiness of the people is the brazen and mischievous extravagance in our public expenditures. I believe this to be the most monstrous offspring, born of governmental perversion." (Speech of Mr. Cleveland, quoted in an article of M. Moireau, in the *Revue des Deux Mondes*, of July 1, 1891.)

AUTHOR'S PREFACE

EXTRACT FROM THE PREFACE TO THE FIRST EDITION

Of the three divisions of the program: Budget, taxes, and extraordinary resources, only the first, the budget, forms the subject of this book.

The experiences of my administrative career have been of great help to me in my work. Having had a close view—in the office of the general inspector of finances, in the cabinet of the Minister of Finance, in the office of the secretary general, and in the administration of indirect taxes—of the operations of the machinery of the budget under various aspects, I have thought to support my work as frequently as possible, by examples drawn from practical experience, in arriving at my deductions in the science of finance.

Besides, the road in this direction has, for a long time, been officially traced. Beginning with 1871-1872, M. Paul Leroy-Beaulieu began his course in the *École des Sciences Politiques*. Then he wrote his two volumes, *Traité de la science des finances*, which are generally known. Even today his pupils recognize no financial writer other than their first illustrious teacher. Anyone who comes to lecture before them must strain himself to imitate M. Paul Leroy-Beaulieu, if, while lecturing, he does not wish to hear them turning the pages of the work which everyone consults on these subjects.

M. Paul Leroy-Beaulieu occupied the chair of finance at the *École des Sciences Politiques* from 1871-1872 until 1880. After him, the chronological list of professors contains the following names:

M. Alfred de Foville, 1879-1880 to 1883.

M. René de Laboulaye, 1883-1884.

M. Léon Say, 1884.

Such predecessors have rendered difficult my task. From the bottom of my heart, I must express my thanks to my attentive and loyal students with whom at all times I have endeavored to sympathize; finally, to their director, our eminent director, M. Boutmy. He has guided me from the first, and made me accept—with show of gratitude on his part, a rare thing—advice of which I was sorely in need.

September, 1889.

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THE BUDGET

INTRODUCTION

CHAPTER I

ORIGIN AND DEVELOPMENT OF THE BUDGET

Definition of the Word "Budget": French Legal Definition; In Part Unintelligible; Difficulties of Satisfactorily Defining Term; The *Nouveau Dictionnaire de l'économie politique*; Attempts Made by Various Writers; A Reconstructed Definition; English Origin of Term; Adoption of Term in France.

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Establishing the Right to Control the Purse in Prussia; Recognition of Representative Control in 1850; Violation of Principle; Attempted Justification by Bismarck; Admissions by William I.

DEFINITION OF THE WORD “BUDGET”

The public accounting law gives the following definition of the word “budget”:

French
Legal
Definition

“The budget is a document which forecasts and authorizes the annual receipts and expenditures of the State and of the other branches of service which by virtue of the laws are subject to the same rules and regulations.”
(Art. 5 of the Decree on Regulations of May 31, 1862.)

In Part
Unintelligible

It seems necessary to revise somewhat this legal declaration. Its very last phrase for example is scarcely intelligible: *Which by virtue of the laws are subject to the same rules.* To what same rules and regulations? There is no explanation. At best we can only guess what is meant, and even then the guess is probably wrong. As a matter of fact, there are no branches of service subject to the same rules and regulations as the budget of the State. The provinces, municipalities, hospitals, and the colonies each have their own rules. Even the decree quoted does not ignore this fact and, in truth, lays down these special rules and regulations.

Difficulties
of Satisfactorily
Defining Term

We must realize at once the difficulties in finding a good definition of the word, particularly when we are compelled to make use of it; this difficulty is emphasized through the failure of sources less official than the decree of May 31, 1862, to improve on the one contained in that instrument.

The Marquis d'Audiffret also failed to give anywhere in the six volumes of his *Système financier de la France* the definition we seek, although a part of his book bears the title, “The Budget.”

M. Joseph Garnier in his *Traité de finances* follows the example of prudent silence set by the Marquis d'Audiffret.

There is an important article written by Paul Boiteau in the *Dictionnaire des finances* which, notwithstanding its general title “The Budget” and its specialized sub-title “Definitions,” fails to give any definition of the budget.

DEFINITION OF THE WORD "BUDGET"

The old *Dictionnaire de l'économie politique* says that "the budget is the official statement of public receipts and expenditures"; but since the budget and the statement are two distinctly different things, these two terms cannot be used to define each other.

The *Nouveau Dictionnaire de l'économie politique* could not well commit the same error. Dubois de l'Estang defined the budget [in terms of purpose] as follows:

"The purpose of the budget is to determine the amounts which individuals have to contribute jointly to cover expenditures for a public use, and to regulate with sovereign authority the use to be made of the funds thus obtained."¹

Attempts
Made by
Various
Writers

Jean-Baptiste Say defined the budget as "a balance between the needs and the resources of the State."

The *Dictionnaire de l'Académie française* gives the following definition of the term "budget" as "a word of English origin, used in public administration to express the annual estimates of expenditures which are intended to be made, and of funds or revenues appropriated to meet these expenditures."

Littre's Dictionary defines the budget as: "A statement made annually containing public revenues and expenditures," and he supports his definition by fantastic quotations from Victor Hugo and Barthélemy:

"The budget, strange fish and monster vast
To which from all sides the hook is cast." (Hugo)

"Annual budget, leech aspiring
That sucks what the people sweat in acquiring."
(Barthélemy)

These are metaphors which are quite aside from technical considerations.

The seventh edition of Paul Leroy-Beaulieu's *Traité de la science des finances* contains the following:

"The budget is in the first place a statement forecasting revenues and expenditures during a certain deter-

¹ We shall comment later on this definition.

THE BUDGET

mined period of time. . . . It is also an authorization or an order by competent authorities to make the expenditures and collect the révenues [designated] . . .”

Thus it becomes possible to construct an acceptable definition, bearing in mind that certain dangers are still to be avoided. For example, instead of discussing budgets in general, we do well to confine ourselves to the budget of the State so as to make the idea more clear and precise. We would do well also to consider a budget a matter of statutory law and not simply a statistical table or estimate. The lump budgets of the *Directoire* or of the *Consulat*, for instance, were passed with very few or no estimates or tables. Our definition, therefore, should convey the idea that the budget is an important and authentic document.

A Reconstructed
Definition

[Reconstructing our definition]: Let us substitute for the words “which forecasts,” used in the decree of May 31, 1862, the phrase “approved financial plan,” because the act of estimating revenues and expenditures would convey the idea only of a tentative proposal. On the contrary, an approved plan or project not only anticipates the future requirements for expenditure, but also undertakes to show how they may be met. The decree of May 31, 1862, does not fail to add the idea of *authorization* or approval to the idea of an estimate or *forecast* of conditions. The notion of a forecast, however, which distinguishes budgets from statements [of account] must be preserved very carefully. Let us also eliminate from our definition the word *annual* which is used in the decree of May 31, 1862, because certain countries have budgets which are voted for a number of years. After having made all these corrections, let us go back to the definition in the decree and amend it as follows:

“The budget of the State is a document containing a preliminary approved plan of public revenues and expenditures.”

English
Origin of
Term

The philological origin of the word “budget” is English: *bougette*, *pochette*, *sac*, etc.—meaning pouch, pocket, sack. All treatises on the subject give this as its origin. [Commenting on this derivation] J. B. Say says: “The common use of a formal term brings with it the necessity of expressing it briefly.” As soon, therefore, as the idea of the budget

DEFINITION OF THE WORD "BUDGET"

became popular, it became necessary to find a short and simple word to express it, and it is not surprising that England was the country to invent the term.

France, on the contrary, until the end of the *ancien régime* was able to go without an everyday term which would express what was meant. It would be hazardous, perhaps, to maintain that the three volumes on the *Administration des finances*, by Necker, published in 1784, do not contain the word "budget" at all; but, at any rate, it is hard to find. Minute researches made in a later book, *Finances de la France*, by Ramel, former Minister of Finance, published in the year IX of the French Republic, do not reveal that the word was used once. In the year XI of the French Republic a report to the *Tribunat*, according to J. B. Say, contains the following statement: "Budget, a barbarian word, even in England, where it has lost its original meaning, and which we would replace justly by calling the thing by its real name, i. e., *a balance between the needs and the resources of the State.*" Public documents began to use the word "budget" only a few years after the beginning of the nineteenth century.

Adoption
of Term
in France

DEVELOPMENT OF THE BUDGET PREROGATIVE, OR RIGHT TO CONTROL THE PURSE

The foregoing discussion suggests the important part that budgets have played in the history of all countries. As a matter of fact, there are few rights or political principles of greater importance to a nation than those of determining what public revenues shall be raised, and what expenditures shall be authorized. What violent struggles ensued in acquiring that right in England, in the United States, in Germany, in France! What public authority shall exercise that right and what are the necessary formalities to protect and confirm its possession? Without an introductory statement it would be difficult to understand the reason for the great importance attached to the regulations discussed in the pages which follow.

The principle that "the representatives of a nation must vote the public revenues and expenditures" has become so firmly established in our day that one is easily led to believe that this right or principle has always existed. History, however, shows the great difficulties encountered in the development of this principle. Let us consider its justification.

Not Inherent in the People or Their Representatives

THE BUDGET

An
Attribute of
Sovereignty

Why should a people have the right to authorize the revenues and expenditures of the State through their representatives? Is it because they must bear the burden of public expenditure? It would seem logical to answer "that those who contribute have the right to approve the tax, because they are the ones to pay it." This, however, would be a thoughtless answer because the obligation to pay does not carry with it the right to regulate the amount of one's debt, even in budget-making. Does a vanquished people under the rule of an alien master retain the right to determine the amount of taxes to be paid by them? When Napoleon, after the Battle of Jena, in 1806-1807, administered Hesse, Westphalia, Hanover and Prussia, through General Clarke and Count Daru, and when he levied in that territory the usual and the extra taxes, did the German taxpayers under the yoke of the conqueror presume to argue about the principle of claiming for themselves the right to determine the amount and the use of taxes taken from their own pockets? By no means. The sovereign rights rested with Napoleon, and therefore the Emperor dictated the taxes solely on the basis of his own authority.

The constitutional right which a nation possesses to authorize public revenues and expenditures does not originate from the fact that the members of the nation contribute the payments. This right is based on a loftier idea: the idea of sovereignty. It is only when sovereignty rests with a nation [as distinguished from a king or ruling class] that the people acquire the right to authorize public revenues and expenditures [either directly or through their representatives]. In case a nation were not sovereign, it would have to pay, as did Prussia under Napoleon; it would not possess the right to control the public purse—the "budget prerogative" would be unknown.

Its Exercise
Under an
Arbitrary
Government

Let us put aside the rather brutal idea of military conquest and substitute for it either an aristocratic form of government or an absolutism. In these cases the budgets would be regulated by virtue of an established constitution, either by assemblies of the nobility or by the king himself. This means that in the last instance the budget would be regulated by those in whom the sovereignty was vested—in other words, those who exercise the legal right of ultimate control. Under such circumstances the people [and their chosen representatives] would have no voice in determining

DEFINITION OF THE WORD "BUDGET"

the amount or the use to be made of the taxes which they would have to pay.

Thus Bossuet could state in his *Instructions à Monseigneur le Dauphin* that the authority of the king had three main characteristics, viz.: that this authority is sacred, paternal and absolute. "As soon as there is a king, the people must behave quietly under his authority." This famous bishop deduced from these premises the following necessary conclusions: "The king has exclusively the right to levy taxes; and the only restriction on him is [his obligation to the people] to exercise this right with moderation."

As has been written, the people must "render therefore unto Caesar the things which are Caesar's."¹ The right to determine what the taxes and public expenditures shall be does not result from mere fact of payment, nor is the right to control the purse proportionate to the amount of taxes paid; it is proportionate to the power that each and every individual possesses to exercise ultimate control. There can be no doubt that under constitutions where electoral qualifications exclude whole classes of people who pay taxes below a certain limit, a definite relation is established between the vote and the amount of taxes paid. This is also the case in countries where a plural vote is provided for. In such case the individual's property is one of the elements serving to determine the portion of his sovereignty. Where universal suffrage is in force, which means that wherever a citizen of mature years—no matter what the amount of his property or even if he has no property at all—possesses an equal portion of sovereignty, all relation between the vote and the payment of taxes is eliminated. The citizen who pays heavy taxes to the State, as well as the citizen who pays small taxes or no taxes at all has an equal voice in the exercise of the control over the purse. It is sufficient to be a voter in order to exercise one's share of influence upon the financial policy of the country. This share is uniform, because [the electorate

Property
and Taxes
a Mere
Incident

¹ About the same time Fénelon entertained much more nearly correct ideas. We quote hereinafter *L'examen de conscience sur les devoirs de la royauté*, in which he says to the duke of Bourgogne: "You know that in former times the king never took anything away from the people on his own authority." The *parlement*, that is the Assembly of the nation, granted funds to the king. What if the absolute authority the kings have acquired should change this order of things?

THE BUDGET

The Right to Vote Control

are in ultimate control and] the privilege of voting obtains without any condition whatever based on possession of property or payment of taxes.

What is more, the pauper—who not only does not pay taxes but who is fed by the State, is sheltered, maintained, taken care of or supported in hospitals or asylums through the medium of charitable institutions—retains his budget prerogative in its entirety, he coöperates in proportion to his vote in the making of the budget, although his personal interest is concerned only with the expenditure. In other words, his interests are quite opposed to the interests of tax contributors.

These anomalies give rise to many fears which we shall ignore because they are not directly connected with our subject. Let us end this discussion, therefore, with the conclusion that: "Every member of society or of a nation exercises a share of control over the purse or the budget prerogative, corresponding to the share of sovereignty [or the legal right of ultimate control] vested in him."¹

Since the budget prerogative is an attribute of the legal right of ultimate control or sovereignty, the securing of this right just as the securing of any degree of political control comes only after violent struggle. Acceptance of the formula

¹ The idea of considering the right to approve public revenues and expenditures as an attribute of sovereignty was considered by M. Léon Say to be subject to criticism. In the *Journal des Débats* of February 27, 1890, this noted writer expressed himself as follows: "M. Stourm considers the budget prerogative [the right to control the purse] a kind of royal prerogative. It has its origin in the idea of sovereignty and is a result of the prerogative to rule. If the budget prerogative is an attribute of sovereignty, then the purpose of the struggle for power is to make one part of the people pay taxes for the benefit of the other part. . . . The last word [in extension] of this theory—a word far from the idea expressed by M. Stourm—has been enunciated by President Jackson of the United States, who said: 'To the victors belong the spoils' . . . one with plenty of money in hand, with his servants and his (friends) forms a privileged class. . . . Justice then is but an empty word or a word the meaning of which has undergone a change."

The real definition of budget, according to M. Léon Say, was given in the *Nouveau Dictionnaire d'économie politique*, a quotation from which was given above. According to this, the budget is a contract between constituents who are the contributors, and agents, who are the persons in power. "The budget is an order given by the nation to its agents to dispose of public funds within limits and under conditions fixed in advance." The consequence of looking at the budget in this way, is—"that in countries with defective constitutional gov-

DEFINITION OF THE WORD "BUDGET"

that: "The right of control over public revenues and expenditures rests with the representatives of the nation" had to undergo the test of the most terrible revolutions before it found a permanent place in our constitutions. The history of these revolutions shows the importance of financial questions in the life of a nation; it also shows the importance of a special study of this subject. Besides, history shows the real significance of budgetary formalities and of rights of control protected by them, which often appear trifling when contrasted with the sacrifices made to establish them.

Control over
the Purse
Established
at Great
Sacrifice

ORIGIN OF THE RIGHT TO CONTROL THE PURSE IN ENGLAND

England has outdistanced other nations in the matter of financial management. In the fifteenth century Commynes wrote as follows: "In my judgment, from all the states of em-
ernments, there is no budget in the practical or philosophical sense of the term."

Superiority
of Financial
Manage-
ment.
Developed

In spite of the high authority of the lamented M. Léon Say, I am inclined to uphold my own definition: The budget is but "a document containing the preliminary approval of public revenues and expenditures."

Nothing need be added to this definition, because, going beyond that, we shall have to distinguish between countries which have a legislative body and those which have not; and to declare, for instance, that Russia never had a budget prior to the assembly of the Duma. What then shall we call the estimates of future revenues and expenditures which were sanctioned each year by the Tzar in a very methodical way, and which, after all, were the budgets of the Russian Empire? Even in countries possessing a parliamentary form of government, the budget, as defined above, would not exist at all, if the executive power were not sufficiently separated from the legislative power, and those in authority (*mandataires*) could not be distinguished from the constituents (*mandants*). A [Revolutionary] convention, for instance, absorbing in itself all power would become, as Russia, incapable of preparing a budget, because no authority would be competent to enter into a *sacrosanct* contract with it.

In our opinion, definitions should possess qualities of universal application. The word to be defined should be taken in its most general sense, with no interpretative restrictions. When defining budgets, it is not a question of distinguishing between good and bad budgets. This would be preposterous. It is sufficient to say that it is a budget. Later on, when criticizing irregular budgets, and reserving our sympathies for those which are regular, we shall agree with M. Léon Say, as is proper, and we shall be able to declare with him, and without hesitation, that only those countries which have constitutional forms of government are competent to make regular budgets. This, the present book will show on every page.

THE BUDGET

the world of which I have knowledge, England is the country in which public affairs are best administered." Thus at the time of the Second Revolution which brought William of Orange to the throne, that is since 1688, we find the budgetary system of England almost perfectly established.

The Right
of the
Nation to
Control
Early
Established

All Parties
Agreed to
the Repre-
sentative
Principles

During a considerable period before, however, England adhered to the rule that "Every tax shall be approved by representatives of the people." This right to control the public purse or budget prerogative was written in England's oldest charters. Macaulay says that 'this right is so ancient that none can say when it began to exist. It was established as a principle that the King could not legislate without the consent of his Parliament.' Macaulay adds, however, 'that there is no single document in which these great principles can be found; that they are scattered over English statutes; and, what is still more important, they have been for the last four hundred years engraved in the hearts of all Englishmen. Whigs and Tories alike agreed on the subject that the fundamental laws of the kingdom were opposed to the sovereign's publishing a law or imposing a tax, or maintaining the smallest regular army without the consent of the representatives of the nation.'¹

Attempts of
the Stuarts
to Deny the
Representa-
tive
Principle

These precedents, four centuries old, rendered the more grave and terrible in their consequences the plans for control inaugurated by the Stuarts at the beginning of the seventeenth century.

However, *inaugurated* is not entirely exact, for before this the Tudors, Henry VIII and Elizabeth, at different times had violated this ancient law, but only temporarily and on occasion. James I, on the contrary, from his accession to

¹ These quotations are taken from Macaulay's History of England. In this work he said, among other things: "That the King could not impose taxes without the consent of Parliament is admitted to have been, from time immemorial, a fundamental law of England. It was among the articles which John was compelled by the Barons to sign. Edward the First ventured to break through the rule; but able, powerful and popular as he was, he encountered an opposition to which he found it expedient to yield. He covenanted accordingly in express terms, for himself and his heirs, that they would never again levy any aid without the assent and good-will of the estates of the realm."

Boutmy in his remarkable work on England, *Études de droit constitutionnel, France, Angleterre, États-Unis, et Développement de la constitution et de la Société en Angleterre*, with the same thought analyzes the Great Charter of 1215, and the subsequent covenants made between the king and the nation.

DEFINITION OF THE WORD "BUDGET"

the throne in 1603, tried to justify his claims to absolute authority. The quality of being "the vice-gerent of God," which he gave to himself, according to official commentators, put the king above the law and abolished for the benefit of the king the ancient rights of the nation, particularly those with regard to control over the purse. By interpretation of the Stuarts, the right to establish and levy taxes rested with the king alone. The attitude of James I, without causing open hostilities, brought about a spirit of distrust in the country and prepared the way for the conflict which broke out in the reign of his son, Charles I. Here it becomes necessary, in order to follow events more closely, to study each session of Parliament between 1625 and the Revolution of 1648, at which demands for subsidies were discussed.

Assertions
of Divine
Right of
James I

The Commons, which were convened by Charles I at the time of his accession to the throne in 1625, showed themselves to be most distrustful and obstinate, and granted him an insufficient subsidy. The King implored them to give him more, pointing out to them most humbly his youth, his needs and the debts left by his father. As the Commons proved to be unrelenting, they were dissolved. After the dissolution, Charles I secured money for himself by contracting loans; but the war with Spain did not end advantageously, and another Parliament was convened in 1626.

Attempt of
Charles I
to Obtain
Money by
Loans

This second Parliament granted the subsidies which were demanded, postponing, however, the formality of passing the act until the last of the session. Thus, from 1626 on, a procedure of voting on the financial measures was inaugurated in England, which has continued to the present day. According to this procedure, the appropriation act passed at the end of the session of Parliament is required to sanction all previous authorizations or partial appropriations.

Procedure
Governing
Votes on
the Budget
Established

Charles I, provoked by this method of showing distrust in him, began to utter threats against the institution of representative control. In his name it was said, that all Christian kingdoms once had representative [or popular] forms of government until the monarchs, beginning to realize their own strength and the troublesome spirit animating these assemblies, gradually substituted royal prerogative; and in all Christian kingdoms, with the sole exception of England, they finally abolished parliaments.

Resentment
of Charles I

Such expressions, of course, did not suit the Commons, and they definitely refused to grant the subsidies which were

THE BUDGET

An Attempt
at Forced
Loans

The Nation
Aroused

Subser-
vience of
Charles'
Advisers

demanded. Various temporary expedients were used to replenish the empty royal coffers. Soon after spending all his resources, however, Charles I threw off all restraint and issued a decree based on his own authority calling for a general and compulsory loan, apportioned to each citizen according to the rate at which he had contributed to the last subsidy. The casuists of the court endeavored to establish a fine distinction between a tax and a loan; they argued that if the authority for levying taxes rested exclusively with the representatives of the nation, then the right to negotiate loans rested exclusively with the king. It was plain, however, that the compulsory loan was, in fact, nothing less than a disguised tax; and the people could not be deceived, in spite of the sophistic arguments of the casuists. Furthermore, the ideas of public right and national sovereignty, which were already very strong, at that time provoked a general refusal to obey the King's warrant under sign manual calling for a compulsory loan. Experience in France was quite different, where, although instances of illegal taxes were by no means lacking, there was no general refusal to pay taxes at any time. When the Government of Charles I proceeded to make arrests, it only made matters worse because, through writs and appeals to courts, the prisoners stirred up public hostility. The trial of five of the prisoners at their own risk and danger carried as far as the Court of the King's Bench aroused the anger of the entire nation. Then came the rupture with France; and, subsidies becoming more necessary than ever, Parliament was convened in 1628.

At the opening of this Parliament, Charles I addressed it in a defiant tone. This, of course, did not contribute to his success. Among other things, he said to the Commons that: In case they did not do their duty by contributing to the needs of the State, he would feel obliged by his conscience to use other means. Charles I reasoned the matter out in this way: there is no doubt that the representatives of the country have a right to approve the levying of taxes; but if these representatives refuse to furnish necessary subsidies, or if urgent and indispensable needs manifest themselves, the king may act upon his own authority by virtue of the prerogatives of the Crown. Therefore, in case of necessity, the king can impose taxes, and he alone has to judge whether such necessity is present or not. Such were the conclusions reached at a consultation of compliant judges. The King

DEFINITION OF THE WORD "BUDGET"

regarded himself as a supreme judge entrusted by right of birth with the duty of providing for the security and happiness of his people and vested by divine Providence with discretionary power in devising the means for obtaining this salutary purpose.

David Hume said that 'it was the greatest misfortune that the King formed for himself an entirely different opinion of the Constitution than had begun to prevail among his subjects.' Parliament responded by drafting the "Petition of Rights"—the second charter of England, which confirmed and completed the Magna Charta of 1215. This "Petition of Rights" was a solemn declaration [by Parliament] that no tax whatsoever could be levied without the consent of the nation; it also expressly condemned compulsory as well as voluntary loans to the Crown. Charles I for a long time hesitated about signing the document; but, being pressed by need of money, he finally affixed his official seal, June 7, 1628. Thereupon, five subsidies were immediately granted.

The Petition
of Rights—
A Second
Charter

In spite of this pledge, the Royal Government did not hesitate to levy poundage and tonnage taxes in the ports, although the parliamentary authorization for these taxes had long since fallen under the statute of limitations. The fourth Parliament assembled in 1629 and, without contesting the necessity or the propriety of the taxes in question, volunteered to authorize them. But this was not the end. Thereupon Parliament summoned the officers of the customs administration in order to question them fully as to their authority for seizing merchandise brought in in violation of the poundage and tonnage law. Charles I, irritated by these investigations showing a lack of respect, dissolved Parliament in 1631, and manifested his intention to rule thenceforth without its aid.

After this fourth session of Parliament began the decisive period in which the King deliberately attempted to assume absolute power, and to impose new taxes without the approval of the representatives of the country. Having resolved, as we have said, not to convene the Commons any more, he at first continued to levy the poundage and tonnage tax; later he created monopolies on soap, leather, salt, etc.¹

Charles'
Assertion of
Absolute
Power

¹ "The following is an incomplete list of commodities of which a monopoly was made: Salt, soap, coal, iron, wine, leather, starch, feathers, cards and dice, felt, laces, tobacco, barrels, sour herrings,

THE BUDGET

Levy of
"Ship-
Money"

Finally, when these petty measures became insufficient, he did not hesitate to impose by virtue of his own authority a new tax on vessels—the famous levy of *ship-money*.

In former times the Government in case of war could summon the inhabitants of counties to take up arms and organize for defense. The king had also the right to demand that counties bordering on the sea should supply vessels, and at times the Government demanded that money be supplied instead of vessels. Now the King in time of peace began to establish permanently both in the interior of the country and on its shores a condition which in former times could have been justified only by pressing necessity. Macaulay says that the entire nation became alarmed and exasperated. There is no doubt that Charles I faithfully employed the funds resulting from the *ship-money* to rebuild the fleet, but this did not make the tax legal, so long as the people [or their representatives] did not approve it.

Trial of
Hampden

Hampden, one of the most celebrated opponents of the King, refused to pay his assessment, which amounted to only twenty shillings. This refusal exposed him to the full severity of the law, and for twelve days the entire nation followed with anxiety the phases of Hampden's trial before the Chamber of the Exchequer.¹ With Hampden it was not a question of twenty shillings; it was the constitutional question of the right to control the purse—the budget prerogative. With whom did the power to levy taxes rest? With whom did the sovereignty of the nation rest? This was the crux of the controversy between the King and the nation. Hampden was convicted as everybody had foreseen; but the public had been thoroughly aroused. The nation awoke, and beheld with terror the chains which were about to be forged on her. The nation was made to realize, by what had occurred, that not alone its constitutional right to control the purse but its political liberties were jeopardized.

Eleven
Years With-
out a
Parliament

From March 16, 1629, until April 16, 1640, there was no Parliament. Eleven years of government without national representation constituted an unheard-of event in the his-

butter, potash, linen, buttons, catgut, spectacles, combs, saltpetre, gunpowder."—Guizot, *Histoire de la révolution d'Angleterre*, 1625-1660, 6 Vol.

¹ "Hampden quietly and with no anger refused to pay, trying only to have a judgment passed in his person on the rights of his country."—Guizot, *op. cit.*

DEFINITION OF THE WORD "BUDGET"

tory of England. [In France such interruptions lasted for centuries, as is shown in the next chapter.] During this interval of eleven years, the Government continued to levy taxes which it had illegally imposed. Furthermore, the Government mortgaged the crown lands and negotiated loans until the King, finding himself at the end of his resources, deemed it necessary again to convene the Commons. This he did in 1640.

At this fifth assembly of Parliament, Charles I offered to abolish the tax on vessels, of which he "never intended to make a permanent revenue," and he pledged his word as a gentleman not to levy any more taxes without the consent of the nation. But as the stern attitude of the Commons did not seem to respond sufficiently to his advances, he abruptly dismissed them without having obtained anything.

Shortly afterwards, in November, 1640, the sixth Parliament was convened; this was to be the Long Parliament that was to outlive the King. The new representatives summoned the sheriffs in charge of collecting the *ship-money* tax to appear as offenders before the Parliament, and drew up the "Remonstrances"; these were in the nature of an appeal to the people in which all the violations of the "petition of rights" were enumerated. Thereupon, the situation became aggravated to such an extent that civil war was the result of these parliamentary struggles. In 1642 Charles I was forced to leave London. Shortly afterwards the armies of the Crown and of Parliament, the two powers most respected in England, were facing each other. In 1648 the King was made prisoner, and on January 3, 1649, he was beheaded in front of White Hall Palace. History gives all the details of this bloody solution of the conflict.

The Long
Parliament

The
Revolution
1642-1649

There is no doubt that during these twenty-three years of struggle the discussion of budgetary questions had a decisive influence upon the destinies of England. It was the need of subsidies which finally had forced the King to convene the Commons periodically, and the discussions relating to these subsidies increasingly embittered the people and stirred them up to a pitch to insist on their rights. Finally, the imposing of illegal taxes, the introduction of the *ship-money* tax in particular, became the immediate grievance that caused the people to rise in revolution against the assumptions of the King.

After Monk had reinstated the Stuarts the situation was

THE BUDGET

The
Arbitrary
Attitude of
Charles II

not changed. Charles II, like his predecessors, had an independent revenue consisting of farm-rents, feudal annuities and some permanent or life subsidies. The Commons granted him only complimentary subsidies to make up the sums necessary to meet regular needs and extraordinary expenditures.

All revenues, however, regardless of their source and without distinction, were turned over to the Treasury of the King, who used these revenues at will and without control either for his personal expenditures or for expenditures of the State. Thus he found himself forced to expose his intimate affairs to Parliament in order to get assistance. "Since ascending the throne," he said to the Parliament in 1660, "I have been unable to give one single shilling to my brothers, or to maintain a table other than the one at which I myself sit. What causes me the greatest pain, however, is to see some of you coming to White Hall and then having to go out again to get a dinner." At another time he volunteered to submit his personal expenditures for verification by the Commons, stating that the burden of these expenditures was very heavy on him during the last year.

The
Principle
Involved

It was the mingling of the king's private income with the public income that Parliament tried to reform in order to establish an efficient control especially over the management of state funds. For that reason certain subsidies, such as the subsidies for building of ships, were voted only after the costs of the work were first estimated. It was expected that such a procedure would prevent the use of the money for other than its intended purposes and that the appropriations would not be exceeded. "The result, however," says David Hume, "showed that the real expenditure exceeded the appropriation by about £100,000." Later on, in 1668, a commission of the Commons attempted to examine also the accounts of expenditures resulting from the voted subsidies. The commission discovered a shortage of about £1,500,000, although the King claimed he had contributed some of his own money.

Suspension
of Payments
—State
Bankruptcy

The old controversy between the Crown and Parliament, fed this time by religious passions, caused long and frequent adjournments of Parliament. During one of these adjournments the King, not daring as yet to impose arbitrary taxes, promised the office of Grand Treasurer (Lord of the Exchequer) to the person who would help him out of his financial troubles. Shaftesbury, in order to gain the promised

DEFINITION OF THE WORD "BUDGET"

reward, ordered the Exchequer closed on January 2, the date on which the repayment of funds entrusted to the Treasury was due. This sudden suspension of payments caused the insolvency of a good many banks. This is the only state bankruptcy (January 2, 1672) of which England is guilty in all its financial history. It must be added that later on the victims of the bankruptcy were indemnified.

The struggles against Parliament continued, and were still more bitter under James II than they had been under his elder brother. He issued an ordinance decreeing the levying of excise duties—a right which had been granted to Charles II for the duration of his reign only. To the criticisms of the Commons, the King replied: "The method of supplying the Crown at intervals with insufficient subsidies seems to be resorted to as a means of insuring frequent sessions of Parliament." This, he assured them, would have no success; "the best way to induce the Crown to convene Parliament is to use the Crown right."

Defiant
Attitude of
James II

The same tendencies to establish absolute government and the same obstinacy to levy taxes without the authorization of Parliament prevailed with the Stuarts before and after the Revolution of 1648. At two different times this attitude of the Stuarts had the same consequences. Without going into the details of this new conflict, it is sufficient to mention that the Revolution of 1688 was its epilogue. William III of Orange with Princess Mary, having landed in England, ascended the throne of his defeated and fugitive father-in-law.

Accession
of William
and Mary

The accession of William represented the triumph of the principles for which the nation had fought for over half a century. No time was lost in applying these principles in practice. Henceforth, an absolute division was established between the private funds of the king and those of the nation. The funds appropriated for the expenditures of the Crown were entirely segregated from the funds appropriated for the expenditures of the State. This was the beginning of *what* is called the *Civil List*.

The Con-
stitutional
Principles
Established

Macaulay furnishes interesting information on the origin of the term; he writes (*History of England Under William III*) as follows: "Out of this income [granted to the Crown] was to be defrayed the charge both of the royal household and of those civil officers of which a list had been laid before the House. This income was, therefore, called the Civil List. The expenses of the royal household are now entirely sepa-

THE BUDGET

rated from the expenses of civil government: but, by a whimsical perversion, the name of Civil List has remained attached to that portion of the revenue which is appropriated to the expenses of the royal household. It is still more strange that several neighboring nations should have thought this most unmeaning of all names worth borrowing."

We have then, on one side, funds of which the sovereign may dispose at will for his personal use; and, on the other hand, public funds, the management and control of which rests exclusively with the representatives of the country.

In 1789, France came to realize the necessity for this distinction.

Until then, says David Hume, there was no distinction between the funds appropriated for the Crown and those which were appropriated for the public service; both categories of funds were at the disposal of the sovereign. It was agreed to set aside special revenues for the maintenance of the royal household and expenditures befitting the dignity of the Crown. The balance of public funds was to be subject to the action of Parliament.

The Right
of Represen-
tatives—
Control
Never
Again
Contested
in England

After Parliament had added to the Civil List certain unchangeable and inevitable expenditures, such as the interest on the public debt and the various endowments, this entire group having been voted once and forever, was given the name of "Consolidated Fund," which exists until this day. All other public expenditures remained strictly dependent on the annual vote of Parliament.

As far as taxes are concerned, the *Bill of Rights* passed and approved in 1688 again fixed the exclusive right of approval in the assembly of representatives of the country [the Commons]. From 1688, the time of the accession of William III, the right of the people and their representatives to control the purse (the so-called budget prerogative) was thus definitely established; from this time on Parliament has possessed the uncontested right to authorize public revenues and expenditures. Raynal says that the right to control the purse as finally settled became for England "the instrument and the rampart of liberty."

DEFINITION OF THE WORD "BUDGET"

ORIGIN OF THE RIGHT TO CONTROL THE PUBLIC PURSE IN THE UNITED STATES

The English Parliament extending its authority over the vast colonial possessions of North America, decided in 1765 to force these colonies to contribute toward the expenses incurred by the mother country in their protection and defense. For that purpose the House of Commons ordered on its own authority the establishment of the stamp tax (March 8, 1765) in America, which, notwithstanding its dependence, until then had always voted its own taxes. For this reason the minister, George Granville, used the greatest possible prudence in introducing this innovation and he was careful enough to entrust the levying of this new tax to American agents.

Denial of
Right of
Representa-
tive Control
to Colonies

All seemed quiet in the beginning. But soon the local assembly of Virginia, influenced by one of its members, Patrick Henry, refused to recognize the tax established by the English Parliament in which the American colonies were not represented. The Assembly of Virginia resolved that the "General Assembly of the Colony had the exclusive right and power to impose taxes on its inhabitants." This protest of Virginia was the spark which set the entire nation aflame. Delegates appointed from all parts of the country assembled in congress in New York and declared that every tax paid to the Crown, being a free gift of the people, it would be unreasonable and contrary to the constitution of England that the Parliament of Great Britain should surrender to His Majesty the substance of the colonies. (Oct. 16, 1765.)

Protest of
Patrick
Henry

Thus we see that America plied England with the same arguments that England had used a century before to protect its own liberties against its King.¹ On account of the great unrest, Parliament repealed the stamp tax on March 5, 1766, one year after having voted it. Unfortunately, Great Britain soon returned to its ideas of supremacy, substituting for the stamp tax, on June 29, 1767, a duty on glass, paper, dyes and tea.

Duties Fixed
on Imports
Without
Consent

The rate of these four taxes was low; the entire revenue from them was not to exceed 1,000,000 francs (\$200,000).

¹ "The spirit which in America resisted the stamp tax was the same spirit which in earlier times formed the fundamental basis of British liberties, to wit, that an English subject could not be taxed without his own consent."—Cornélis de Witt. *Histoire de Washington*, Paris, 1855.

THE BUDGET

It was not at all a question of money. "Our purses are open," said the people of America, "but we want to pay as citizens and not as slaves." Washington wrote, asking: "What is the whole thing about, and what are we quarreling over? Is it the payment of a tax of six *sols* per pound of tea?" "No," was his answer; "we are only contesting the right to impose such a tax."

Protests in
England

Even in the English Parliament voices were raised advocating the right of citizens to tax themselves: "When in this chamber," said Lord Chatham, "we vote a tax, we only vote on what belongs to us. What are we doing with regard to America? We, the Commons of England, dispose of the substance of the commons of America. We cannot take money out of their pockets without their consent."

The Black-
listing of
English
Goods

The colonial assemblies acting upon the initiative of the Assembly of Virginia pledged themselves to use no more English goods until the bill of 1767 was repealed. The women refused to wear apparel coming from the mother country, and local newspapers congratulated them on their decision. One paper said: "We are going to see the female sex charming in its natural beauty when the spirit of supreme patriotism will be its only ornament." The city of Boston distinguished itself by armed resistance.

Insurrec-
tions—the
Boston Tea
Party

The House of Commons, again judging it to be an act of prudence, revised its vote, repealing the bill of 1767. But they modified their views only so far as concerned duties on glass, dyes and paper. The duty on tea was maintained in order to assert the supremacy of Parliament (bill of March 5, 1770). This moderate tax left on one commodity only, the annual revenue from which it was thought would not exceed 300,000 francs (\$60,000), became the signal for the War of Independence, because the American people held out for a vital principle.

Riots and massacres in Boston, the pillaging of vessels of the East India Company, cargoes of tea thrown into the sea, the prohibition of the use of this beverage in the colonies¹ and the beginning of a general insurrection were the

¹ The historian Raynal describes as follows the incidents which accompanied the prohibition of tea in America: "Ship masters refuse to take this article on board. The shop keepers to whom the shipments are consigned refuse to receive it. One who would dare to sell tea is considered here an enemy of the country. Those who would store tea in their storerooms are charged with infamy. Several

DEFINITION OF THE WORD "BUDGET"

first responses to the bill of March 5, 1770. England became obstinate in its resolutions in spite of the protestations of Burke and Lord Chatham. America voted its *Declaration of Rights* at the Congress of Philadelphia in 1774 in which it was stated: "We reject every idea of an interior or exterior tax, the object of which would be to levy a revenue from citizens of America without their consent." On April 19, 1775, occurred the first small battle of Lexington; an army was organized; Washington was placed at its head; on July 4, 1776, the "Declaration of Independence" was proclaimed; and the war continued until the treaty of November 30, 1782, which was definitely ratified by the treaty of peace of 1783, recognizing the independence of the United States.

The
American
Revolution

In 1778, while hostilities were going on, the English Parliament, after the decisive victory at Saratoga, repealed the tax on tea and declared expressly that no tax would henceforth be imposed on America by the English Parliament (Bill of March 11, 1778).

American
Independence

ESTABLISHING THE RIGHT TO CONTROL THE PURSE IN PRUSSIA

The provisions of the Prussian constitution of January 31, 1850, which in an explicit way guaranteed that control over public revenues and expenditures would rest with the representatives of the country, were seriously jeopardized between 1862 and 1866. The *Landtag*, or chamber of deputies in Prussia in 1862, cut out of the budget the appropriations intended to cover expenditures of military reorganization which the Government proposed at that time; this reorganization plan was based on the establishment of universal and obligatory military service. Then the Prime Minister, Bismarck, abruptly withdrew the budget bill from the Chamber of Deputies and dared to submit it directly for discussion by the upper house (*Herrenhaus*), which was servile enough to pass it.

Recognition
of Represent-
ative Control
in 1850

portions of the country have solemnly renounced the use of this beverage. A great number of people have burned their stock of this weed which hitherto was a delicacy. The tea shipped to this section of the globe was valued at five or six millions and not a single box was landed." It is to be added that the American Custom House authorities yielded to England in 1772 only 2125 francs (\$455) from duties on tea and that the East India Company lost all its stock of tea which was thrown into the sea or left to rot in storerooms.

THE BUDGET

Violation of Principle

Thus the budget for the fiscal year 1863 was approved by only one house, the house not elected by popular vote, and the budget was put into execution from January 1, 1862, to 1866, in direct violation of the text of the constitution of January 1, 1850. In spite of the protests of the deputies, the same illegal act was repeated for three consecutive years—that is for 1864, 1865 and 1866. Thus four successive budgets did not have the approval of the legislature.

Attempted Justification by Bismarck

As every practice is bound to find some theory justifying it, so the theory by which Bismarck tried to justify his procedure was as follows: The Chamber of Deputies cannot possibly claim the exclusive right to establish the budget; as a matter of fact, article 62 of the Constitution of 1850 says that the legislative power is exercised jointly by the king and by the two chambers; the Constitution contains no provision as to who must yield in case of a disagreement. "The budget is not established; the condition is an abnormal one; the Constitution offers no solution; the sole solution, therefore, must be found in compromise; if the compromise does not succeed, a conflict begins, and, as the life of the State could not be stopped, this conflict becomes a question of power; the person who has the power in his hands proceeds then according to his opinion" (January 27, 1863).

From this it can readily be seen what violent conclusions were reached by the Chancellor in the heat of parliamentary discussion. Without following the various phases of the struggle, let us say at once that in 1866, when the war between Prussia and Austria broke out, the battle at Sadowa victoriously demonstrated the merits of the military reforms which were put into effect in spite of a resistance on the part of the Chamber of Deputies. The latter had then to give up resistance in order to live up to its patriotic duty.

Admissions of William I

It is quite remarkable to see with what modest submissiveness both the King and his Prime Minister excused themselves of the illegality which they deemed necessary to commit. King William expressed himself as follows: "In these last years the budget could not be established in accord with the national representation. The public expenditures which were made during the period lack legal basis" (August 3, 1866). The King admitted that there had been a breach of law; he asked the Chambers to help him to enter on the road to legality once more and he himself promised not to deviate from this road again. "Thus," added the King, "the conflict

DEFINITION OF THE WORD "BUDGET"

will be stopped forever." This attitude clearly shows the power of the principle of the right [of representatives of the people] to control the purse, before which even a victorious Government had to yield.

Origin of the Right in Other Countries: Other examples besides the one of France—on which we shall dwell in the next chapter—could be added to the preceding examples, particularly the civil war in Chili, caused in 1891 by the encroachments on the budget committed by President Balmaceda. In 1909-1910 the refusal of the House of Lords to approve the budget of Mr. Lloyd-George, voted by the House of Commons, necessitated general elections and deeply agitated the country. Finally, the act of August 18, 1911, cost the House of Lords its old prerogatives in financial matters. In the same way, in Russia, the revolutionary occurrences of 1905 compelled the autocratic Government to submit henceforth its budgets to the Imperial Duma.

Everywhere and at all times the primary importance of the budget prerogative in the life of nations is obvious.

CHAPTER II

CONTEST OVER CONTROL OF THE PURSE IN FRANCE.

Period of the *Etats Généraux*: Beginning of Period; Early Assemblies Not Representative; First Took Cognizance of Finances in 1314; King Takes Advantage of Act of *Etats Généraux*; Annual Meetings from 1355-1359; Greatest Power Under John the Good; A Lapse of Forty Years; Arbitrary Attitude of Charles V; Appeal to the Assembly During the Hundred Years' War; Frequent Meetings Under Charles VII; The Last Meeting Before the Revolution; Tenacity With Which Nation Held to Representative Control; Prerogative of the Principle; Efforts to Usurp Functions of Executive; A Lapse of One Hundred Seventy-five Years; Not Convened After 1614; The Cataclysm in Store for France.

The Period of the *Parlements*; *Parlements* Not Representative; Were Entirely Subservient to the King; Illustration of Its Obsequiousness; Absolutism Unchecked; *Parlement* Finally Became a Body of Protest; Reconvening of the *Etats Généraux*; Announces the Right of the People to Control the Purse.

Establishment of the Modern Budgetary System in France: Right of Popular Control Over the Purse Demanded; Right of Representatives of the Nation to Control Revenues First Recognized; Under the Law of 1789; Infractions of Law by Napoleon; A Factor in the Estrangement of the French People; Two Later Infractions; Recognition of the Right to Control Expenditures Comes Later; Question Raised as to Whether it Was a Representative Function; Demanded Only Accountability; Technic of Control Over Expenditures Not Developed; Expenditures of State and Royal House Confused; Effort Made by Legislature to Invade the Executive Field; Encroachment of Legislature on Powers of Executive; Jealously and Suspicion of Two Branches; Claims of Reactionaries; Right to Inquire Into Needs Claimed as Essential Part of Control of Purse; Sanctioned by Law of 1817; Reconciliation of Right of Control With the Principle of Executive Leadership.

The history of the budget in France may be divided into three parts:

1. The period of the *Etats Généraux*.
2. The period of the *Parlements*.
3. The period of the organization of the present régime.

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PERIOD OF THE ETATS GÉNÉRAUX

The first of these three periods, that is, the period of the *Etats Généraux*, ended in 1614, during the minority of Louis XIII, and under the regency of Mary de Médicis. From 1614 until 1789, the representatives of the nation did not convene.

Although it is easy to say when the institution of the *Etats Généraux* came to an end in France, it is much more difficult to give its precise date of origin. Some historians place it as far back as 422, the time of Pharamond, when the Salic Law was established. Next came the conventions known under the name of *Champ de Mars* or *Champ de Mai*.

Beginning
of Period

Early Assemblies not Representative: Modern scientific historical researches have shown that until the seventh century there was no general assembly of the people.¹ The later general conventions (*Conventus Generalis*) were not assemblies of the people. The people attended those conventions under the leadership of their local chiefs, counts or bishops; the king conferred only with the nobility, holding aloof from the crowd; he showed himself to the people at the last session only, at which time either he or the majordomo addressed them;² at the most, the people had the liberty of applauding

¹ "It is necessary to avoid all possible double meaning. We shall find a good many large assemblies of men; but not every assembly of men is a national assembly. By national assembly we understand a regular convening of an organized people or of its representatives—an assembly which is formed legally with powers determined by laws or by traditional practice, an assembly which deliberates, discusses and decides the interests of the people in question."—Fustel de Coulanges.

² "With all that, we do not see a single action on the part of the people. The people were quite ready to deliberate, but they never had a chance. No question was submitted to the people. The people remained camping on the plain and waited. After the king had made all his decisions jointly with his nobility, he remembered his people who were waiting and showed himself. This was the closing session of the assembly, and it was always a solemn occasion. The people offered its annual gifts to the king. After this the majordomo, speaking in the name of the king, transmitted the latter's order to the people. Then the decisions made by the king and his nobility at the previous meeting were communicated to the people. The latter had no power to discuss them, although it may have been the practice for the people to approve them through acclamation."—Fustel de Coulanges.

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the address. All these details are discussed with much erudition in the work of M. Fustel de Coulanges.¹

In the Middle Ages the feudal assemblies were invariably composed of the grand vassals, barons and dignitaries of the church² who, after having promised a subsidy to the king, took upon themselves the task to recover the total of this subsidy from their own subjects without consulting them at all.

"To consider these assemblies," Vuitry says, "as having constituted since that period national representative bodies would mean to be misled by modern ideas and expressions which cannot be applied to the middle ages and feudal institutions."³ (*Etude sur le régime financier de la France.*)

First Took Cognizance of Finances in 1314: The first *Etats Généraux* which busied themselves with financial questions were convened in 1314 under Philippe the Fair.⁴ A few years prior to that a certain number of barons and dignitaries of the church were convened,⁵ but as they declared themselves deprived of sufficient power to force contributors

¹ Fustel de Coulanges. *Histoire des institutions politiques de l'ancienne France*, 1888.

² "It was an ancient tradition of the feudal kings to convene frequently the dignitaries of the church and the barons, not so much for the purpose of being enlightened by them as to give more weight to the actions of the Crown."—Vuitry.

³ Proudhon expresses it more freely: "This point is to be noted: the people were not called upon to vote; that went without saying; the people voted nothing. Those who were called upon to vote were the direct and immediate chiefs of the people: land owners, abbots, dignitaries of the church, burghers and masters of professions, etc., who drew their income from the people." (*Théorie de l'impôt.*)

⁴ George Picot, in his *Histoire des Etats Généraux*, which is justly considered a classic on the subject, indicates that the assemblies of 1302, 1308 and 1314 were the first three to show the characteristics of the States General in France. But as the assemblies of 1302 and 1308 occupied themselves only with the quarrels between the King on one side and the Pope and the Knights Templars on the other, it remained for the assembly of 1314 to introduce the question of subsidies.

⁵ The Council of 1305, composed of a small number of barons and dignitaries of the church, declared that archbishops, bishops, deans of convents and colleges, dukes, counts, barons and women and girls of the nobility were supposed to help "their king." These proposed contributors were by no means anxious to carry out the decision of this Council.

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to comply with their resolutions, the King decided on a surer way of obtaining the subsidies which he badly needed and addressed himself directly to the representatives of the people.

In consequence, at the assembly of 1314—which convened at the palace of *la Cité* in Paris, under the chairmanship of the King and of Enguerrand de Marigny—the nobles, the dignitaries of the church, the burghers and the municipal officers declared their “readiness to give assistance to the King, everyone doing what is in his power, according to his ability.” By virtue of this single and vague declaration, the King, as soon as the meeting was closed, issued an ordinance based on his own authority, establishing taxes on fuel and taxes on sales of merchandise.¹

King Takes
Advantage
of Act
of Etats
Généraux

After Philippe the Fair, only three conventions of the *Etats Provinciaux* or *Généraux* will be mentioned—those under Louis X (the Stubborn), Philippe the Long and Philippe the Sixth; then we come to a period of more important assemblies, especially under King John, when they acquire more regular form.

Annual Meetings from 1355-1359: When at the end of 1355 a general war broke out with England and all financial resources were exhausted, John the Good obtained from the *Etats Généraux*, which convened in Paris on December 2, 1355, the right to place duties on salt. After the unfortunate battle of Poitiers, where the King of France was taken prisoner, the *Etats Généraux* were convened by summons of the Dauphin in 1356, 1357, 1358, and 1359, in order to vote the necessary subsidies for the continuation of the war against England and for paying the ransom of the King. These last *Etats Généraux* began to develop the idea of national representation. “In October, 1356,” says Augustin Thierry, “the deputies came to the number of more than eight hundred, four hundred of whom belonged to the class of burghers; they were animated with a zeal quite approaching revolutionary enthusiasm.” This movement, however, was only of short duration and did not outlive the period of disaster by which it was caused.²

Greatest
Power
Under John
the Good

¹ Several cities of Normandy and Picardy, however, opposed the establishing of a tax on merchandise, which fact indicates that not all the cities of France gave their consent and that the *Etats* of 1314 were not really general.

² At this time the national representation, even in the *Etats Généraux* which were regularly convened, was very far from perfect. “The

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Arbitrary
Attitude of
Charles V

A Lapse of Forty Years: Charles V in the first years of his reign gave little heed to the *Etats Généraux*. "The memories of the time of his regency," says George Picot, "could hardly induce the new King without imperative necessity to meet with the deputies who ten years before tried to submit the authority of the sovereign to their control." In 1367 a simple convention of the notables of the kingdom took place. In 1369 the three estates convened under conditions which gave them fuller powers: "Dignitaries of the church, nobles and the people of the good cities assembled in large numbers from all the provinces," and decided upon the war against England, and six months later appropriated taxes and subsidies made necessary by the renewal of hostilities. Thus, between 1359 and 1369, ten years elapsed without the *Etats Généraux* having been called.

Appeal to the Assembly During the Hundred Years' War: After the five assemblies which convened under King John between 1355 and 1359,¹ and after the assembly held under

composition of these assemblies," says Ad. Vuitry, "corresponded to the social condition of the country. It was the picture of France, but of feudal France." Ad. Vuitry. *Etudes sur le régime financier de la France avant la Révolution de 1789*, Nouvelle Série.

Henrion de Pansey quotes and comments on the text of the orders of convocation for the last *Etats Généraux* in 1614 to Bailiffs and senechals and arrives at an analogous conclusion. "It is clear," he says, "that in all these preliminaries it is not a question of villages; the cities only enjoy the privilege of sending deputies to the *Etats Généraux* and it is easy to find the motives for this preference. It is explained by the deplorable condition to which the inhabitants of the villages and even the inhabitants of a large number of cities were reduced in those times." Henrion de Pansey. *Des assemblées nationales en France*.

¹ The historian Mézeray, whose pension of 4000 francs Colbert wished to discontinue because Mézeray in his *Abrégé chronologique de l'Histoire de France* insisted too much upon the necessity of a tax being approved by the *Etats Généraux*, says of the reign of "John the Good": "The burdens of the war could be met only by heavy expenditures and at that time no taxes were levied without the consent of the *Etats Généraux*." He adds later on, "Because of the immense confusion that the war with the English caused in the kingdom, overthrowing all of its ancient institutions, and because of the great difficulty of convening large assemblies as everybody was anxious to look out for his own safety rather than to uphold the public cause, there were no real *Etats Généraux* assembled after that time. The right to impose taxes rested in the discretion of the sovereign without being subject to the approval of the people." *Abrégé*

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Charles V in 1369, the *Etats Généraux* convened only on the following dates:

- 1412 at the Palace of St. Paul in Paris during the reign of Charles VI.¹
- 1420 in Paris, upon convocation by Henry IV, king of England.
- 1422 at Bourges, upon convocation by Charles VII.
- 1424 at Selles-en-Berry and Puy-en-Velay.
- 1425 at Mehun-sur-Yèvre.
- 1428 at Chinon.

These last four assemblies held under Charles VII during the disasters of the Hundred Years' War were followed until 1435 by assemblies held almost annually; they strained themselves to "serve the King as well as his great generals; to the one as well as to the other France owes its salvation."²

Frequent
Meetings
Under
Charles VII

In 1435 at Tours, under Charles VIII, the *Etats Généraux* organized the system of subsidy taxes (*ferme des aides*); in 1439 at Orleans, also under Charles VII, the *Etats Généraux* organized permanent armies and granted forever the right of levying the villain tax (*taille*), the revenues of which were to cover the expenditures for the *gendarmerie*.³

chronologique de l'Histoire de France, by François de Mézeray, Historiographer of France, Amsterdam, 1712.

¹ Assemblies of notables were held in 1380 at Paris and in 1382 at Compiègne; they are mentioned by certain historians, but as Picot says: "These two assemblies should not go down in history under the name of *Etats Généraux*. The part they played is just as obscure as their origin."

² "Royalty, finding itself at the height of misfortune and deprived of all resources, bethought itself of the *Etats Généraux* which it had dreaded or held in contempt ever since the ascension of Charles V. Royalty threw itself into the arms of the deputies with the ardor of despair, entrusting to them the destiny of France and begging them humbly to aid in its distress. Nine assemblies answered within a few years to these supreme appeals. From the misery which overwhelmed the people resulted, as if by magic, enormous subsidies; they were offered, collected and put into operation by an outburst of real patriotism; neither the waste of an idle and contemptible court, nor the poor success of a resistance which seemed desperate until Joan of Arc appeared on the scene, was able to chill their noble confidence; Charles VII was as faithfully served by his *Etats Généraux* as by his generals; and to the one as well as to the other France owes its salvation." George Picot. *Histoire des Etats Généraux*.

³ "Charles VII," says Commynes, "upon winning the point as to imposing the tax (*taille*) at will without the consent of the *Etats*

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Then the *Etats Généraux* met infrequently and the intervals between them are sufficient to show to what extent the existence of the entire institution became precarious. In 1467 an assembly was held at Tours under Louis XI; in 1483, in the reign of Charles VIII, during the regency of Anne de Beaujeu, was held one of the most important assemblies which had far-reaching results; another assembly convened in 1506 under Louis XII at Tours.

The Last Meeting Before the Revolution: Then comes an interval of fifty-three years in which falls the entire reign of Francis I¹ in 1558, under Henry II, an unimportant assembly of the notables took place; another took place in 1560 during the minority of Charles IX at Orleans, and this assembly was presided over by Chancellor Michel de l'Hospital; another assembly took place in 1561 under Charles IX at Pontoise; in 1576 and 1588 assemblies were held in Blois under Henry III; in 1593 in Paris the States of the League convened; in 1596 an assembly of notables was held in Rouen under Henry IV and Sully; finally, in 1614, in Paris, during the minority of Louis XIII, the last meeting of the *Etats Généraux* prior to 1789 was held.

Recapitulating, except during the reigns of John the Good and Charles VII, we do not find more than five or six assemblies on the average in every century. These assemblies were convened without any regularity whatever. Moreover, we must omit from the number all the simple assemblies of notables which unjustly assumed the name of *Etats Généraux*.

Tenacity
with Which
Nation Held
to Representa-
tive
Control

From this it appears that the institution as such was inoperative, or rather say, that it acted without authority; this is demonstrated by the list of dates as given above, as well as by the countless cases where royalty imposed and levied taxes on the basis of its own authority. Taking it in all, until 1791, taxes seldom originated by approval of the representatives of the country. However, notwithstanding these im-

Généraux, quickly changed his attitude toward the *Etats* and so did his successors, thus inflicting on his kingdom a wound which was to bleed for a long time."

¹ Sully says that: "Francis I left instructions to his successors no longer to obtain the approval of his people for the services and assistance he might require from them; he instructed them to demand those services and assistance on the basis of the power and royal authority, without stating any other reason than the will of the sovereign." de Sully. *Economies royales*.

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mense intervals of time, the idea that every tax should be approved by the nation persisted in France. This idea, proclaimed on various solemn occasions and recognized by royalty itself, constantly dominated the spirit of the people; and although it was seldom realized we can say that at all times it formed a latent basis for our public law.¹ Thus, under Louis XI, at the same time that the institution began to grow obsolete, Philippe de Commines, minister and confident of the King, wrote the following celebrated lines: "Is there any king or lord on earth who has the power to impose a tax upon his subjects without the consent of those who must pay the tax, unless he does it through tyranny and violence?"

The minutes of the *Etats Généraux* are filled with analogous declarations, which royalty never even thought of contesting. In 1483 the *Etats Généraux* solemnly declared: "They understand that henceforth no tax shall be imposed on the people without convening the *Etats Généraux* and without having obtained their consent in conformity with the liberties and privileges of the kingdom." There were, therefore, liberties and privileges in the kingdom which, without having been registered in any constitution, were, nevertheless, recognized and referred to as basic.

The regent, Anne de Beaujeu, in the name of the King, Charles VIII, had to bow before the prerogative of the people and pledged herself in conformity with the demands of the *Etats Généraux* to convene them within two years at the latest in order to obtain the renewal of the temporary approval of the taxes which had been voted. However, as soon as the deputies returned to their provinces, the Crown forgot completely about its promises. After the two sacred years had elapsed, the regent confined herself to demanding from the *Parlement* of Paris authority to continue the levying of taxes; so the next assembly of the *Etats Généraux* did not take place until twenty years later.

Recognition
of the
Principle

¹ "The power of the *Etats Généraux* with regard to the vote on taxes was very often not appreciated; but still this power remained engraved in the conscience of the public. No tax, it was said, could be imposed on the people without the consent of the *Etats Généraux*. In every century we find a new confirmation of this fundamental principle. The deputies themselves did not want to admit that this principle was constantly violated; quite to the contrary, they think that this power was always in force and that it did not become obsolete until of late." Georges Picot. *Histoire des Etats Généraux*.

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When Henry IV appeared before the *Etats Généraux* at Rouen in 1596, he made them the following celebrated speech :

"I come to ask your advice, to trust and to follow it, and I give myself into your guardianship. This spirit is not generally to be found among kings, gray-beards, and victors, but my love for my subjects makes me consider everything possible and honorable."

In spite of this declaration, however, Henry IV and Sully (who in his *Economies royales* affirms the rights of the nation) convened the *Etats Généraux* only once, and that very tardily and very improperly. Following the example of their predecessors, they only proclaimed the principle and abstained as much as possible from putting this principle into practice.

Even under Louis XIV, Fénelon in his *Examen de conscience* does not hesitate to remind the Dauphin that "In former times the king never exacted anything from his people on the basis of his authority alone. It was the assembly of the nation which granted him the funds necessary to cover the extraordinary needs of the state."

It is possible that in the eighteenth century, on account of not being practiced, this principle seems to have vanished from the minds of certain individuals. Voltaire attached no importance to it at all,¹ and the School of Economists expressed strange theories in support of absolute power.² Rousseau,

¹ Voltaire in his *Histoire du Siècle de Louis XIV* is silent on the subject of the non-convening of the *Etats Généraux*. Even in Chapter XXIX, which deals with the internal administration, and where the subject in question would naturally have risen, the great philosopher abstains from mentioning one of the worst abuses of the régime which he glorified.

² Du Pont de Nemours says: "What is called legislative power rests exclusively with the sovereign, because executive power by virtue of sovereignty itself, rests exclusively with the sovereign." *Origine et progrès d'une science nouvelle*. Mercier de la Rivière says: "The tax is the result of joint property interest acquired by the sovereign on the net products of the soil under his domination." *Ordre naturel et essentiel des Sociétés*. "The idea of establishing forces to counteract the arbitrary abuses of the authority of a sovereign is evidently a chimera."—*Idem*.

L'Abbé Bandeau speaks also of the expenditures of a sovereign, of the revenues of a sovereign, of the property of a sovereign without ever mentioning the rights of the nation. Du Pont de Nemours in his correspondence at the end of his life with J.-B. Say, says: "It

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Condorcet, David Hume, Boulainvilliers and Montesquieu, however, considered the right of the nation to authorize public revenues and expenditures as a fundamental principle. We can, therefore, safely state that the tradition on this subject remained uninterrupted, and that the principle, as such, was also proclaimed and only the application of the principle failed.

In order to explain this contradiction between the theory and the facts and at the same time to excuse the flagrant violations of the public law committed by royalty and which royalty did not even defend, it has been alleged that the *Etats Généraux* were incapable of performing their constitutional functions.

Bailly's statement in his *Histoire financière* is certainly true: "The *Etats Généraux* in France convened once in a great while, and composed as they were of individuals not acquainted with public affairs and not having the time to

is a narrow and capricious idea of the English that it is necessary to regulate every year the amount to be granted to the government and to reserve for oneself the right to refuse the tax."

The Marquis de Mirabeau, in his *Théorie de l'impôt*, after having said that "The opinion that princes are permitted to impose their will upon their subjects is an absurd and impious flattery," adds at the same time: "You are not going to accuse me, sir, of an intention to deduce from this that the formal consent of the people pronounced by its assembled representatives should be necessary to give legal authority to every fiscal decree? God forbid! Quite to the contrary, it will be shown below that I am putting in the hands of the princes the account and the balance of revenues of their subjects. Far be from me the intention to restrict the authority of the Monarch." The Marquis did not escape, however, a *lettre de cachet*.

There is no doubt that the word *sovereign* which is habitually used by the Economists can, strictly speaking, be taken in its abstract sense and can be applied to the nation as well as to the king, but as Mercier de la Rivière painstakingly informs us that the sovereign should not hold his power by force of election but that his power should be hereditary, that his interest may at times appear to be in conflict with the interests of the nation, that he has joint possession of the substance of his subjects, etc., the personality of the king seems to be pretty well specified. Besides the system of counteracting forces, that is, the parliamentary system of government, is formally condemned by this School.

M. G. Schelle, however, whose works should always be consulted when speaking of the Economists, states that: "Du Pont de Nemours did not share the reactionary ideas on legal despotism and that in all cases Turgot has openly seceded from his friends on that subject." G. Schelle. *Du Pont de Nemours et l'Ecole physiocratique*, Paris, 1888.

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gain any experience, they did not know how to specify or how to carry out their rights."

Efforts to
Usurp Func-
tions of
Executive

We have seen that in England the Commons were much more clear-sighted and firm.¹ In France the *Etats Généraux* should have confined themselves to claiming the vote of the budget.² This was exactly the object of their being assembled; and this should always have been the special object of their demands. But instead of taking this ground from which they could not have been driven, they attempted to encroach upon the administrative powers of the Crown and to substitute themselves for the latter in the management of public affairs. It seemed to them that to rule personally constituted the only effective way of maintaining control over the purse or the budget prerogative. In 1596, at Rouen, they demanded that a permanent delegation taken from their midst should share with royalty the functions of administration. Henry IV was clever enough to appear to yield to their demands by establishing jointly with their members a *conseil de raison*, which, however, at the end of a few months had to be dissolved because of lack of power and discord among the members.

Not Con-
vened After
1614

A Lapse of One Hundred and Seventy-five Years: In 1614, at the last *Etats Généraux* convened prior to 1789, the *Cahiers* which were submitted to the Crown by the "Third Estate" contained so many demands that the examination of these demands alone would have required several months, and their realization would have upset the institutions of the coun-

¹ "From the end of the thirteenth century until now everything in France contributed toward the triumph of the monarchical system, and in England toward the triumph of the parliamentary form of government." Guizot. *De l'origine du système représentatif en Angleterre*.

² Voltaire, in his *Essai sur les mœurs*, traces back the history of the *Etats Généraux* and analyzes the causes of their failure. "The little experience that the nation had in examining its needs, its resources and its powers, has always made the *Etats Généraux* destitute of that steadiness of mind and of the knowledge of their own business which can be observed in all regulated corporations. Convened at long intervals, they asked for laws and customs instead of making them. They were wondering all the time and uncertain." Further on he adds: "These *Etats Généraux*, assembled hastily, did not have any stock of laws nor any traditions such as the Parliament of England. They did not form a usual part of the supreme legislature." Voltaire. *Essai sur les mœurs et l'esprit de nations*.

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try from top to bottom. "These assemblies, convened at such long intervals," says Henry Martin, "brought with them the cumulated complaints of an entire generation." It was, however, great folly to furnish the Crown with pretexts for delays, of which the Crown availed itself by not convening them for 175 years.

Evidently Royalty was better organized and had more powerful weapons than the *Etats Généraux*. Seeing that they were uncertain as to what direction to take, watching their false maneuvers, and profiting by their unsuccessful attempts—Royalty was triumphant in all struggles. But this easy victory over the national representatives became the cause of a great national cataclysm. De Tocqueville deplores this victory in the following terms:

Cataclysm
in Store
for France

"I venture to say that from the day when the nation (tired of the long struggles which accompanied the captivity of King John, and the insanity of Charles VI) permitted the kings to impose taxes without its coöperation; and from the day when the nobility was base enough to allow the taxing of the third estate on the condition that they themselves be exempted—from that day were scattered the seeds of all the vices and of almost all of the abuses which undermined the *ancient régime* and finally wrought its violent dissolution."

The Period of the "Parlements": From 1614 on, as we have stated, the *Etats Généraux* ceased to be convened. Until 1789, or for 175 years, the Crown governed alone; imposed taxes and regulated expenditures at will without the coöperation of the representatives of the country. From then on the absolute power of the king was to be opposed by the *Parlements*.

"Parlements" not Representative: The *Parlement* attempted, in fact, to arrogate to itself the right to control the purse of which the representatives of the country had been deprived. But this effort could be nothing more than a sham because the *Parlement* which neither the people nor any part of the nation elected did not represent anybody. Their office, acquired by purchase,¹ conferred on them no legislative

¹ "It will undoubtedly appear strange for one to become the representative of a nation, dispenser of justice and defender of the people,

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powers. Montesquieu said of them: "The *Parlement* publishes the laws after the laws are passed, and reminds the people of the laws when they have been forgotten." The publication of the laws by the *Parlement* was simply a formality; it involved no right, no power to ratify the laws of the country, much less those dealing with taxes. And what value could lie in a legislative right, if it existed, when a *Lit de Justice* was sufficient to permit the king—who was received with much pomp and seated on an elevated throne—to order forthwith the registration of edicts?

Were
Entirely
Subservient
to the King

The minutes of these *Lits de Justice* are remarkable for the puerility of the very ceremonial which they describe. The Keeper of the Seals advanced toward the king, and then, after having knelt down to receive his orders, he resumed his seat, replaced his headgear, and declared that the king now permits the session to open. With his authorization, the privilege of the floor was then given to the first president, who, before beginning his speech, knelt down in turn with all the *Messieurs* and arose only upon receiving a command to do so. The Advocate General who succeeded the first president observed the same formality. When these two speeches were finished, the Keeper of the Seals again knelt, then rising, he descended from the platform, returned to his seat, and, replacing his headgear, simply pronounced: "The King from his *Lit de Justice* has ordained and hereby ordains that the edict just read shall be inscribed on the records of his *Parlement*." The king then spoke as follows: "You have just heard my will; I expect you to comply with it. Whereupon," continued the minutes, "the King arose and left in the same order as he had entered."¹ Thus the entire procedure was ended. The records of the *Parlement* merely mention that the registration took place by virtue of "a very explicit order of our Lord and Master."

Illustration
of Its Ob-
sequiousness

Thus Louis XIV—hardly seven years old and led by the hand to the *Parlement* and just able to remember and to pronounce intelligently the sacrosanct formula—had edicts, imposing extraordinary taxes ratified² (September 7, 1645).

after having purchased an office with the consent of the King." Sénac de Meilhan. *Le Gouvernement les Mœurs et les Conditions en France avant la Révolution*, 1795.

¹ The Minutes cited are those of the *Lit de Justice* held at the palace of Versailles on Monday, Aug. 6, 1787.

² "The Ministry conceived new fiscal edicts imposing extraordinary

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Absolutism Unchecked: In 1655, the *Parlement* having resolved to protest against the edicts on stamps and coin, the King, now grown to manhood, left Vincennes on horseback and entered the assembly room in his riding boots and with his horsewhip in hand¹ and said to the first president: "The misfortunes which have been caused by your assemblies are known. My order is to discontinue the assemblies which have been begun on the subject of my edicts." Everybody was silent and obeyed, and the royal authority was not again contested during this reign. Voltaire. *Historie du Parlement de Paris*.

Thus, during the entire reign of Louis XIV, no check, not even an apparent one, was applied to the absolute power of the King. The *Etats Généraux* were discontinued and the *Parlements* silenced. The latter did not regain the possession of their ancient right of protest until 1715, from which date they maintained them until the Revolution. The *esprit de corps* and personal interest had only too often led them to cast their votes against the public weal. They always passionately opposed the taxes which threatened to affect their own interests, but they showed peculiar forbearance on the score of the villain taxes (*tailles*), which bore only upon the non-privileged classes and which were arbitrarily levied by warrant each year. Necker wrote to the King as follows:

Parlement
Finally
Became a
Body of
Protest

"The *Parlements* are opposing a just assessment of the 'twentieth' tax, which would at once reduce their personal

taxes, the publication of which covered them with shame and ridicule. There were nineteen edicts of that kind. Louis XIV was brought to the *Parlement* in a child's clothing in order to register these shameful edicts. He was seated in a small armchair which served as a throne, having at his right hand the queen, his mother, the Duke of Orléans, his uncle, and eight dukes, and at his left hand three cardinals. He pronounced the following words: "My affairs bring me to the *Parlement*. The Chancellor is going to explain to you my will." Voltaire. *Histoire du Parlement de Paris*, by M. l'abbé Big. . . .

It is hard to imagine anything more absurd than a king of seven years "acting on his own initiative and with absolute power" and to stammer with a childish voice that 'his Chancellor would explain his will.' "

The *Parlement*, however, chained by tradition and formality, did not dare waive this ceremony. Mathieu Molé, First President, and Omer Talon, Advocate General, had to pronounce the commonplace customary speeches.

¹ It seems certain that the King did not have a whip in his hand, but that he was wearing his riding boots.

THE BUDGET

revenues. They show more zeal in their opposition to the rights of control over the purse which increase the costs of justice than against all other assessments which fall on those farther removed from the Palace.”—*Mémoire sur les assemblées provinciales*, addressed to the King, 1778.

Convening of the Etats Généraux Recommended: After enjoying popular favor for a century and a half, as the people had for a long time maintained this last barrier against the absolute power of the king, it was the *Parlement* itself which demanded that the *Etats Généraux* be convened. During its protests against the edicts on the stamp tax in 1787, the *Parlement* deemed it necessary to inquire of the minister of the *Etats Généraux* about the revenues and expenditures of the kingdom, and one of its junior members said: “That’s it. What we want are the *Etats Généraux*.” (*C’est cela. Il nous faut des Etats Généraux.*) This remark met with much approval, because the idea expressed was right. Repeated from mouth to mouth it became the slogan of the entire country, and from all sides rose the demand for the convening of the *Etats Généraux*.

The *Parlement*, exiled to Troyes, continued its deliberations and again resolved that “The *Etats Généraux* alone can examine and heal the wounds of the State and grant taxes.” “The Courts,” added the *Parlement*, “never had the right to impose or to approve a tax” (August 17, 1788). It was said further on that:

“The *Parlement*, although allowed by the sovereign to announce the latter’s will to the people, was never permitted by the sovereign to take the people’s place. The king certainly is not ignorant of the constitutional principle that taxes shall be approved by those who have to bear the burden, and that it is not in the heart of a well-meaning king to change this principle, which is one of the fundamental laws of the State.”

Announces
the Right of
the People
to Control
the Purse

Thus, after having proclaimed itself for more than a century the only guardian of political liberties—and after having held royalty in check, as if it were really representing the country—the *Parlement* of Paris, in 1787, suddenly changed its language, disowned its past and itself proclaimed the neces-

CONTEST OVER CONTROL OF THE PURSE

sity of convening the *Etats Généraux* prior to the imposing of any new tax. The *Cour des Aides*, the chamber of accounts, all the courts having jurisdiction in these matters, the *Parlements* of Rennes, Rouen, Grenoble, Toulouse, Besançon, etc., repeated, vying with each other, that "it would mean the abolition of the sacred and unimpaired right of the nation to consent to the imposition of such taxes as the nation itself would not have granted." This shows that the rights of the nation were really indestructible, since they survived so long a period of disuse.

ESTABLISHMENT OF THE MODERN BUDGETARY SYSTEM IN FRANCE

The budgetary activities of the old *Etats Généraux* were concerned almost exclusively with the voting of subsidies: "No tax whatever can be levied without the consent of the nation." This was the only requirement of the budget law until 1789. This requirement was unanimously confirmed by the editors of the *Cahiers* at the senechal's court and bailiwicks, who also declared that "no tax can be levied without the authorization of the nation." This formulation of principle can be found everywhere, from one end of France to the other, expressed in formal, almost identical terms.

Right of
Popular
Control
over the
Purse
Demanded

Rights of Representatives of the Nation to Control Revenues First Recognized: Entertaining these ideas, the National Assembly immediately on convening promulgated a law in clear and definite language (Decree of June 17, 1789), declaring that henceforth the right to vote a tax shall be vested exclusively in the representatives of the nation. Dating from this time, this principle can be found in all our constitutions, and very few infractions of it have been committed. We say very few, because, unfortunately, several cases of infraction can be found in the annals of our times, which on account of their rarity we shall enumerate.

Under the
Law of 1789

Thus, during the First Empire the tax on salt originated not in a law but in two decrees of the 16th and 27th of March, 1806. However, on April 24, 1806, a law gave this tax a legal basis. In 1810, a simple decision of the Government definitely established the monopoly on tobacco (Decree of December 29, 1810). In 1813 and 1814, the Emperor on his own authority (Decree, November 11, 1813) imposed

Infractions
of Law by
Napoleon

THE BUDGET

thirty *centimes additionel* to the principal of the taxes on land, doors and windows and personal property, plus an additional two-tenths of a franc on salt, and one-tenth of a franc on all indirect taxes and tolls. The decree of January 9, 1814, published under similar conditions, fixed the budget for 1814 and in this doubled the property tax and the door and window tax and increased to fifty the *centimes additionel* to the land tax.

This Helped
to Estrange
the French
People

It is quite evident that Napoleon—returning to Paris after the battle of Leipsic, in sore need of funds and under the menace of invasion—might be excused for having anticipated the action of the Chamber of Deputies. The idea of control over the purse by elected representatives (the budget prerogative)—particularly so far as tax matters were concerned—had become so deeply rooted in the hearts of the people that even the declaration of dethronement gravely reproached the former Emperor for this infraction:

“It is a fact,” says the Senate, on April 3, 1814, “that Napoleon has torn to pieces the covenant which united him with the French people by levying taxes and imposing them in other ways than through the law and in contradiction of the explicit tenor of the oath he took when he ascended the throne. That he has committed this infringement upon the rights of the people at this very time when he, without necessity, adjourned the legislative body. . . .”

Two Later
Infractions

In our day, the levying of illegal taxes has occurred on only two exceptional occasions. In 1848, when the Provisional Government—by decree of March 26 and without waiting for the convening of the Constitutional Assembly (which met on May 5 of the same year)—added forty-five centimes to the land tax; then, at the beginning of the year 1852, when the Prince-President, by virtue of dictatorial powers, promulgated the general budget for that fiscal year. Since 1789, with the exceptions noted, the principle of having taxes voted by the representatives of the nation has been respectfully written into the text of constitutions and observed in the practice of the Government.

Recognition of the Right to Control Expenditures Comes Later: With regard to expenditures, however, the situation

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is entirely different. The study of the foundation of the modern régime demands that the expenditures be considered separately. The old *Etats Généraux*, as a matter of fact, had very rarely carried their inquiries into the use of subsidies, or, in other words, as far as the expenditures; and if they went so far as that they did it in an incomplete and timid way, as if they doubted the legitimacy of their rights. In fact, the deputies of 1789 had every reason to ask themselves—and we shall see that this question was asked at the time of the Restoration—whether the right to regulate expenses was not a legitimate royal privilege and whether the Executive should not be charged with regulating and disbursing public expenditures, once the revenues intended to meet these expenditures had been voted by the nation. In any case, the ideas on the subject were uncertain and obscure because they had not become thoroughly crystallized.

Question
Raised as to
Whether It
Was a Rep-
resentative
Function

Thus the *Cahiers*, presented by bailiwicks and senechal court districts—instead of the unanimity displayed in connection with the vote on the tax—contain only ambiguous phrases, dubious claims and confused ideas with regard to expenditures. A few illustrations follow:

“The ministers shall be responsible to the nation for their administration” (Memoranda of the Nobility of Mirecourt); “the account of expenditures shall be submitted to the assembled nation and for every district or *département* shall be appropriated an amount of money for its use, and the ministers and their subordinates shall be held responsible for that amount in such a way that an account may be given at a date to be fixed for that purpose” (Memoranda of the Third Estate of Montargis); “ministers shall be held accountable for the public funds they use, each one for his own *département*” (Memoranda of the Clergy of Montreuil-sur-Mer); “the expenditures necessary for the general administration of the kingdom, particularly of the different *départements*, shall be apportioned according to estimates” (Memoranda of the Third Estate of the Senechal’s Court, District of Guyenne); “our deputies shall apply themselves at first to a careful study of the actual condition of the finances and to the verification and auditing of the expenditures of each *département*—all audited and verified statements of revenues and expenditures shall be made public in print”

Demanded
Only
Account-
ability

THE BUDGET

(Memoranda of the People of the Senechal's Court, District of Rennes).

The above are the most significant quotations contained in the collection of memoranda bearing upon the control of public expenditures by the representatives of the country; the most of these *Cahiers*, however, are silent on the subject. Some of them even quite openly leave the matter to the discretion of the sovereign: "The expenditures of the various *départements* shall be determined and decided by His Majesty, the nation trusting itself with confidence to His Majesty's promises with regard to economies." (Memoranda of the Third Estate of the Senechal's Court, District of Montpellier, Article 8.)

Technic of
Control over
Expendi-
tures Not
Developed

The Constitutional Assembly, deprived of precedents, revealed by its acts the indefiniteness of the fundamental ideas which were to serve as guides. The Assembly neither knew how to construct budgets, nor how to establish a regular control over expenditures. From the first, the Assembly very correctly separated the State funds from the funds of the *Civil List*. The creation of a *Civil List* became, in England as well as in France, the cornerstone of the new régime.¹

Expendi-
tures of
State and
Royal House
Confused

Until that time the greatest confusion existed between public expenditures and expenditures for the household of the king and queen. This is frequently shown by the tables attached to the accounts prepared by Necker and Brienne in 1781-1788. These tables contain subheadings with the following titles: expenditures for the king's table; sundry entertainments; furniture; wearing apparel; horses; hunting outfits, etc. In order to effect economies, Necker abolished by his edicts of 1780 a number of ridiculous offices attached to the royal household, all of which were carried on the budget of the State. Some of these offices were *chef*, wine steward, roast turners, etc. The term *Civil List* was so little applied in France prior to 1789 that the dictionary of finance of the *Encyclopédie Méthodique* limits itself to the following definition: "Civil List—a term used in the finances of England."

The decree of October 7, 1789, provided that "Each legislature shall appropriate in the manner it deems best, the funds

¹ On the subject of the *Civil List* after 1789, read: *Etudes sur la liste civile en France*, by Alphonse Gautier. Ancien Conseiller d'Etat, Paris, 1882.

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intended either for the payment of the interest on the public debt or for the payment of the *Civil List*."

The decree of October 13, 1790, again declared that "the department of the royal household should cease to be a part of the public treasury." Finally, the constitution of 1791 provided as follows:

Effort Made
by Legis-
lature to
Invade the
Executive's
Field

"Article 10—The nation provides for the magnificence of the throne by its *Civil List* the amount of which is determined by the legislative body at the time of the accession and runs for the entire duration of the incumbent's reign." (September 3, 1791.)

With this exception, no permanent laws, dealing with public expenditures at all analogous to fiscal measures of which the Constitutional Assembly can justly be proud, were enacted. The Constitutional Assembly limited itself to calculating the expenditures in proportion to the needs; at first, for a portion of the year; then, for three months; then, for one month, and finally, from one day to another. It did not lay out a general plan, nor did it establish a budgetary system.¹ The titles which were given to these bills of expenditures are sufficient to indicate their ephemeral character, such as: "Outline of revenues and expenditures to be collected and made by the royal Treasury during the months of April and May, 1790"; "Outline of revenues and expenditures to be collected and made by the royal Treasury during the three last months of the year 1790—both ordinary and extraordinary"; "Plans of decrees submitted to the National Assembly in the name of the committee on finances and of the Treasury for extraordinary revenues and expenditures relating to the needs of the public Treasury" (April 17, 1791).

¹ The decree of, February 18, 1792, which attempted the preparation of a budget, has only the two following items: 282,700,000 livres for the various branches of ministerial services; 302,000,000 livres for the debt, ecclesiastical salaries, pensions, etc., or in total, 584,700,000.

Article 5 of this decree adds: "The present decree on the total of expenditures for the current year shall not constitute the approval of any particular item of the said expenditures; the using of funds cannot be made nor passed but in accordance with the decree issued by the assembly or to be issued with regard to every item." Thus in accordance with the fundamental decree of 1791 the assembly finally reserved the right to decide and to authorize each month upon every request and on every occasion the expenditures which became necessary, without making a general plan or a budget for the total of expenditures.

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Commenting, Mirabeau exclaimed: "I never hear anything but that: 'We have only so much; we must have more.' " When the *assignats* came into use, every calculation, every provision for the future and in a word, every idea of a budget plan disappeared. What was the use of bothering about a balance, when the paper revenues would most assuredly balance the expenditures? Every reason for making a budget was therefore lacking.

Encroachment of Legislature on Powers of Executive: The only procedure by which the Constitutional Assembly asserted its rights with regard to public expenditures, following the example of the old *Etats Généraux*, consisted in encroaching upon the executive power by concentrating in its own hands the direction of the vouchering and payment of accounts. The National Assembly, as a matter of fact, turned over the control of the Treasury to a committee directly subordinate to the Assembly and thus kept in its own hands the keys to the public Treasury, arrogating to itself the control over the accountable officers. "The Assembly shall itself definitely examine and audit the accounts of the nation." (Decree of September 17, 1791.) An accounting bureau, like the committee on the Treasury, placed under the direction and orders of the Assembly, was charged with verifying all the accounts and with submitting to the Assembly the result of these verifications.¹ The suspicion under which the executive authority labored was the cause of many encroachments which were detrimental to the establishment of any regular administrative organization.

Jealousy and
Suspicion
of Two
Branches

"The unanimous vote of France has decided the question: The finances must be placed beyond the reach of

¹ All citizens have the right to ascertain for themselves or through their representatives the necessity of public contributions, have the right to approve them of their free will and to follow the use of these public contributions." (Declaration of Human Rights, Article 14.) "To follow the use," is not a proper term and is too general. The Constitution of 1791, which followed the Declaration of Human Rights, has without a doubt attributed to the legislative body the function of determining the expenditures without saying, however, whether this determining shall be made in advance, or be concomitant or after the expenditures are made. The more explicit law of June 3, 1791, relating to the organization of the legislative body (Articles 93 and 96), does not even break away from vague expressions, such as "The legislative body shall determine the expenditures of the administration." (Article 93.)

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the Executive. The principle would be violated if the administration of finances was left with the Government," said Roederer in the name of the committee on finance. (Session of December 20, 1790.) The same speaker in a later session added: "The administration of public finances is by no means a royal function. It is, on the contrary, a function reserved for a special administrative agency under the immediate supervision of the legislative body. The public funds are deposited with the administrators of the Treasury as a protection against the possibility of arbitrary use by the executive power." (September 28, 1791.)

We shall pass in silence the periods of the *Convention* and the *Directory*, because we could hardly hope to find during these two periods wholesome measures of control which the Constitutional Assembly failed to establish.¹ The Consulate and the Empire devoted still less energy to improving the mechanism of national representation. Bonaparte did not respect even the text of the existing constitutions.² The report of J.-B. Say, submitted to the *Tribunat*, with regard to an appropriation of 300,000,000 francs in a lump sum, stated:

Napoleon's
Views

"Until now only temporary lump appropriations were made, because events have made it almost impossible to determine the ordinary expenditures. Now, once more through exceptional and temporary events the elements of a detailed estimate cannot be brought together. But this system is inconsistent with the constitutional régime, is detrimental to the credit of the State and to the establishment of order in our finances."

¹ The Constitution of the year III of the Republic when speaking of the expenditures limits itself to the following: "Article 308.—Detailed accounts of expenditures made by the various ministers, signed and certified by them, shall be made public at the beginning of each year."

² "The Constitution of the year VIII of the Republic repeated the formulas of the earlier ones and added the following: "Article 56.—One of the ministers shall be specially charged with the administration of the Public Treasury. He has no right to authorize any payment except by virtue of a law, and to the amount of funds which the law has appropriated for one kind of expenditure."

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The First Consul had this report withdrawn and it was not printed. Later a notice in the *Moniteur Officiel* of December 15, 1808, clearly shows the secondary rôle which the Emperor intended the legislative body should play.

Claims of
Reaction-
aries

On the subject of expenditures the Constitution of 1814 has in it the same gaps as previous charters. This one was even more silent on the subject, as it abstained from mentioning public expenditures in any of its articles.¹ Was this silence the result of doubt as to its principles, or was it the result of an intentional reserve? It is true that reactionary spirits, regretting the passing of the ancient prerogatives of the king, interpreted these principles in a way to assert that the *Etats Généraux* had no rights other than to vote the revenues. They said that in accordance with the traditions of the past the free disposal of funds resulting from taxes—that is to say, the right to regulate the expenditures—rests exclusively with the king.

“In going over the monuments of our public legislation, one cannot fail to observe that although the right to grant or to refuse a tax seems always to have been reserved for the people, one does not find anywhere the slightest trace or the slightest indication which would support the people’s claim of right to examine, to control, and to regulate the use of the public funds.”—Report of Count Garnier, submitted to the Chamber of Pairs, April 27, 1816, on the subject of the Budget for 1816.²

¹ This silence on the subject of expenditures seems the more intentional because the Charter of 1814 managed to express itself most correctly on the subject of revenues by saying: “no tax shall be imposed nor levied unless it shall be approved by the two Chambers and sanctioned by the King.” (Article 48.)

² Count Garnier continued as follows: “When our Kings demanded from the States General that a new and extra tax be levied, this demand was summarily based on some fact well known to the people, such as, for instance, the payment of the ransom for a king held prisoner, an expensive war which had to be continued, or large debts which had to be paid. The approval of the tax necessarily involved the free disposal of the funds which the tax yielded. This part of the administration was left to the high wisdom of the monarch without any guarantee other than the great confidence which was extended to the hereditary sovereign.”

Ganilh, an Economist and a deputy, in a pamphlet, replied to this theory as follows: “There is no longer any possibility of covering the public expenditures but by taxes assessed upon personal property. Why should the Chamber of Deputies or the representatives

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Thus the right which the assemblies of the Revolution failed to proclaim explicitly and to organize practically, becomes lost to sight at the beginning of the Restoration, when even the principle itself was contested. It, therefore, became necessary to reassert it.

"The right to vote the tax freely," says the report to the Chamber of Deputies on the budget for 1817, "is unquestionably the most important of your attributes. But what is the extent of this right, and within what limits shall this right be restricted? Shall you have only the right to vote or refuse a tax without having the right to verify and determine the expenditures and to supervise the use of the public funds?"

Right to
Inquire into
Needs
Claimed as
Essential
Part of
Control
of Purse

This question was answered, owing to the fact that the Constitution had remained silent on the subject, by the reasoning of Roy, the author of this report:

"Taxes and subsidies are levied only to meet the needs of the State and its indispensable necessities. The immediate consequence of this principle is that the authority which has the right to vote a tax, necessarily has also the right to inquire whether this tax is required by the necessities of the State, the right to verify these necessities, to supervise the use of the funds, and to satisfy itself that the funds have not been diverted from the purpose for which they were exclusively appropriated. . . . We should not have raised this question," adds Roy, "if at the last session of the Chambers it had not been taken up and discussed in the *Chambre des Pairs* in a report carrying the doctrines which we deemed it necessary to combat."

The report of the Chamber of Deputies affirms only by induction the rights of the legislature in matters of expenditures: this right follows as a corollary to the right of voting the tax. In spite of this roundabout method the practical conclusion comes straight to the point:

"Your commission unanimously thought that examining the needs and the expenditures was its first duty, and

of property owners pass without examination and without control the expenditures, which the property has to pay?" Ganih. *Des Droits constitutionnels de la Chambre des députés en matière de finances*, 1816.

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in order to give force to this view, your commission adopted the rule that two separate and distinct reports be made to you; one on the expenditures and the needs, and the other on the ways and means of meeting them." (Report, January 14, 1817, by Deputy Roy.)

Roy was charged with making the report on revenues; Beugnot was charged with making the report on expenditures. This dualism which we have seen on different occasions, growing out of expediency, had at bottom a deeper significance: through establishing this dualism the chambers of the Restoration affirmed their right to vote on the expenditures as well as on the revenues.¹

The law itself was not long in sanctioning the real powers of the legislature: "The expenditure of each minister," the law declared, "shall thenceforth not exceed the total of the appropriation accorded to him. They shall not have the power to exceed their appropriation without being responsible for it." Thus Article 151 of the law of March 25, 1817, not only gives to the legislature the power of assigning the necessary appropriations to the various branches of public service, but it also specifies how funds shall be distributed among the various ministries.

Reconciliation of Right of Control with the Principle of Executive Leadership: Even after the law of 1817 was passed, discussions of the principle of the rights of representatives of the country continued. It is interesting to note in this connection that Roy, having been appointed Minister of Finance, uttered aphorisms similar to those he had so well combated as deputy in 1817:

"The Chamber votes a tax," he said, "but the king is the supreme chief of the State. With him alone rests the executive power. The necessary consequence of the operation of this fundamental principle is that the king has the right to apply the revenue to the expenditures. In

¹ After the beginning of the Restoration and in spite of the Charter being silent on the subject, the deputies voted the budget of expenditures. Their vote, however, applied only to the total appropriations which were put at the disposal of the Government in a lump sum; detailed specifications were contained in the budget bill only as reference and information. See Chapter XIII on the subject of Specification of Legislative Votes.

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him centers the executive authority, and it is only by the exercise of that authority that funds voted may be applied to the purposes they are to serve." (Speech of Roy, Minister of Finance, June 30, 1820.)

At the same time an official pamphlet, rather widely distributed, developed the ideas of the Minister by supporting his conclusions with the maxims of feudal monarchies and the practices of the old *Etats Généraux*.

The Marquis de Garnier, however, taking advantage of the bill, which provided for showing the costs of collections of revenues and expenditures, obstinately renewed his ancient theories: "The Chambers have the right to vote and to approve the taxes," he said, "but with the king rests the right to regulate them as he deems most economical and most convenient . . . and the manner of carrying them into effect." (Report of July 28, 1821.) These are, we think, the last echoes of reactionary principles, and it is interesting to find them in a period where the right of representatives of the country to control the purse seemed definitely to have been established.

The ordinance of September 2, 1827, soon followed; this extended the control of the legislature to the amounts granted to each ministry; then finally the law of January 29, 1831, extended the control of the legislature as far as the detailed items of appropriation to each ministry, as will be shown later. From that date the legislative authority has been in possession of all its rights. It was not till then that the right to control the purse, in part established in 1789, attained its complete development.

Our financial codes still show traces of these indecisions, for no text even now concedes to the representatives the right to vote on public expenditures. The regulation of May 31, 1862, in its Article 30 provides: "The public revenues to be collected and expenditures to be made for the use of each fiscal year shall be authorized by annual fiscal laws." This regulation, however, is simply a decree of the Government, and the Marquis d'Audiffret was right in saying: "No law by its text has ever ordered the establishment of a general budget of the State." (*Système Financier de la France*.)

PART I

PREPARATION OF THE BUDGET

CHAPTER III

THE FRAMERS OF THE BUDGET

General Subdivisions of Budget Procedure: Preparing the Budget; Voting the Budget; Executing the Budget; Enforcing Accountability.

The Preparation of the Budget: The Question of Initiative; Necessarily a Function of the Executive; Examples of Methods Used; The English Practice; All Initiative in Executive; Technical Application of Rule; How Rule is Circumvented and With What Result; Unanimity of Chancellors of Exchequer; Public Opinion Necessary to Enforce Any Practice; Practice in France; Results of Legislative Initiative; League of Taxpayers Against Legislative Initiative; Change in Legislative Rules; Only a Half Measure; Practice in Other Countries.

Agencies Coöperating in the Preparing of the Budget: In France—Two Classes of Agencies, Local and Central.

Local Administrative Agencies: Procedure in Central Executive Offices of Departments; Heads of Bureaus and Other Work Divisions; The Minister as Departmental Executive; His Line and Staff Advisors; The Minister Responsible for the Estimates.

Central Agencies in France—The Minister of Finance: Type of Person Required as Finance Minister; De Villèle and others—as Examples of Type; Necker's Views on the Subject; An English Concept of the Position; The Constitutional Position of the Finance Minister; The Status Given Him in France; Superior Powers Rest On His Position in Cabinet; In What Respect Superior to Other Ministers; Under Sully; Under Jean-Baptiste Colbert; Under Colbert; Under Necker; Under Napoleon; After the First Napoleon; Under the Second Empire; Two Groups of Agencies.

Character of Advisory and Staff Divisions: Divisions Not Directly Used in Preparing the Budget; Staff Divisions Directly Involved; Division of Public Accounting—Its Functions; Preparation of Budget and Finance Bills; Preparation and Publication of Financial Statements; Administration of Accounting; Collection of Direct Taxes; Division of Transfer—Its Functions; Distribution of Funds; Finding Supplementary Revenues; Supervision of In-

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stitutions of Public Credit, etc.; Division of Control of Finance Administration—Its Functions; Offices or Bureaus of Finance Administration; Organization and Personnel; The Function of Managing Boards; Relation of Organization to Minister; Subordinate or "Vassal" Institutions; The *Caisse des Dépôts et Consignations*; The *Cour des Comptes*; The Bank of France; The *Crédit Foncier*; The Rural Credit Associations; Bourses, Stock Brokers, etc.; Quasi-public Corporations; The Rule of Precedence; The Treasury in England; Its Constitutional Position; Its Organization; Prime Minister Usually First Lord of Treasury; Direct Responsibility for Finances; Public Opinion Back of this Plan of Control; Distinction Made With Respect to Army and Navy. Recapitulation.

[The preceding chapters have dealt with the subject historically. We turn now to the procedure, by means of which the principles of popular control over the public purse through elected representatives have been made effective.]

FOUR GENERAL SUBDIVISIONS OF THE SUBJECT OF BUDGET PROCEDURE

A study of budget procedure necessitates the successive examination of four major operations which have the merit of being chronological, reasonable and universally adopted:

1. Preparing the budget.
2. Voting the budget.
3. Executing the budget.
4. Enforcing accountability.

[Each of these major operations is made the subject of a separate "part" of the text which follows.]

Preparing the Budget: The first part takes up the budget estimates at their inception, while still in the hands of their framers, and carries them through the executive heads of spending departments, as far as the Minister of Finance. During this discussion such terms or expressions as "receipts and expenditures," "universality" [comprehensiveness of plan], "specialization" [the special-funding of different branches of the service], "increases," "estimated and limited appropriations" etc., will be used and defined.

Voting the Budget: The second part deals with the legislative body: its committees (commissions); its general dis-

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cussions; its discussions of individual items (articles); and the bringing of discussion to an end in votes. Consideration is also given to voting, first in the lower or representative house, and then in the upper chamber. The procedure of voting on the several chapters and items of the regular budget is also discussed, as is voting on additional appropriations etc.

Executing the Budget: The third part has to do with executing the budget. This extends into the domain of financial administration and describes the hierarchical organization through which the money collected from the taxpayer is subsequently centralized in the treasury, and how it reaches annuitants, pensioners, civil and military officials and employees, contractors etc.

Enforcing Accountability: The fourth part deals with the control of these operations [the enforcement of official accountability through review of transactions after the budget has been executed]. Did the executive exceed his power? Have the individuals in charge of the execution of the budget and those who are accountable complied exactly with the terms and conditions imposed by the legislature? Here the main decision rests with the *Cour des Comptes*,¹ where the question of regularity or legality is finally passed on. Thus the budget prepared by the Executive passes into the hands of the legislature [for its approval or enactment]; then it comes back into the hands of the Executive to be put into operation; and [after review] it is finally sent back to the legislature which acts as a supreme judge of the accounts.

THE PREPARATION OF THE BUDGET

A discussion of the procedure used in the preparation of the budget raises in succession the three following questions: Who prepares the budget? When is the budget prepared? How is the budget prepared?

The Question of Initiative: Necessarily and legally the Executive prepares the budget. The Executive alone can and should do this work.² Situated at the center of government,

Necessarily
a Function
of the
Executive

[¹ *Cours des Comptes* is a court sitting in Paris, the duties of which are to verify public accounts.—The Editor.]

² "Of all the laws, the financial law is the one the initiative of

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reaching through its hierarchical organization to the smallest unit, the Executive more than anybody else is in a position to feel public needs and wishes, to appreciate their comparative merits, and accordingly to calculate, in the budget, a just appropriation which each of these needs and wishes deserves. Others may know certain details as well, possibly better than the Executive, but nobody can have so extensive and impartial a view of the mass of these details, and no one can compromise the conflicting interests with so much competence and precision. Moreover, the Executive, charged with the execution of the budget, is compelled, through concern as to his future responsibility, to prepare as well as possible the plan.

Under the Restoration a speaker expressed this idea in the following rather figurative terms:

"The pilot in charge of steering a vessel is the only competent judge of the position and of the spread he has need to give his sails, because he alone is posted in such a way as to know the force and the direction of the winds and currents, which may hinder or delay his movements."
(Report on the regulation of the budget for 1814 and 1815, *Chambre des Pairs*, 1816.)

The man who wants to build a house begins by getting plans from the architect who is to have charge of the construction work, the owner reserving for himself, however, the

which should most naturally be an attribute of the executive. The latter alone is in position to know the extent and the urgency of the needs of the government. The executive alone can judge from his vantage point at what limits taxation should stop. This knowledge can come only as the result of daily experience in all the branches of the administration as well as of the comparing and combining of information collected in the various parts of the kingdom and centralized in the same point of observation." (Report of Marquis de Garnier in the *Chambre des Pairs*, relating to the budget of 1821, July 28, 1821.)

Chateaubriand, although he was very little interested in finances, said: "The preparation of the budget is essentially a royal prerogative. . . . It is the general rule that: the budget should be prepared by the ministry and not by the Chamber of Deputies which has to pass on that budget. If the latter were preparing the budget it could not demand an account of its own work and the ministry would refuse to be responsible for the most important function of the administration. Thus the elements of the Constitution would be shifted." (*De la Monarchie selon la Charte*, by the viscount de Chateaubriand. Paris, 1826.)

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right to examine, to improve or to reject these plans and estimates, should such action be necessary. In the same way, the legislative body commissions the Executive to draw up and to submit to it a program of revenues and expenditures for the coming year.

Although all countries necessarily entrust to their executives the work of preparing their budgets, each one does it with more or less restriction. Let us first study the country which gives the widest latitude to the prerogatives of its executive.

Examples of
Methods
Used

The English Practice: In England, the House of Commons surrendered all its initiative in the matter of the budget to the Crown. In accordance with its own regulation, it voluntarily abstains from any action which might disturb the equilibrium of the public finances. Since 1706, the following rule has been in existence in the *Standing Orders*:

‘This House shall not accept any petition for any sum of money relating to the public service, nor shall it pass upon a motion which would bring about a vote on a subsidy or on a charge against public revenues . . . unless upon recommendation of the Crown.’

On March 20, 1866, this provision was renewed in the following order of the day:

‘The House shall not admit any proposition tending to obtain any appropriation whatsoever, nor shall it take action on any motion which would involve an expenditure to be charged against the revenues of the State, other than the requisitions formulated by the Crown.’

All
Initiative
in Executive

Thus the House of Commons, notwithstanding its power to do what it pleases, does not permit itself to propose increases in expenditures or reductions in revenues. The initiative of the English Cabinet in the matter of the budget, so far as its preparation is concerned, remains unimpaired. ‘The Government’s part is to propose and Parliament’s part is to grant,’ according to the formula expressed by the First Lord of the Treasury.¹ The Executive levies no tax and

¹ Sir Stafford Northcote, in an article of the *Dictionnaire de la politique* dealing with the finances of England, says: ‘The Crown demands, the Commons grant, and the Lords consent.’

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Technical Application of Rule Strictly Followed	<p>makes no expenditure without the approval of Parliament; but conversely, the English Parliament votes no increase of expenditures and no reduction in the revenues without a proposal to that effect from the Cabinet.</p>
How Rule Is Circumvented—and With What Result	<p>This principle has been most scrupulously lived up to [for more than two hundred years]. The Commons, for instance, refused to examine the petition for the reversion of a pension to the son of a pensioner because a prolongation of the expenditure might eventually result from that for the Treasury. The extensive work of Sir [Thomas] Erskine May on the <i>Constitutional History of England</i> mentions this case and many others of the same nature.</p> <p>However, despite the authority of the rules still officially binding, there are certain indications¹ that these rules are now quite seriously jeopardized by circuitous means. The rising tide of public expenditures goes around the dam, if it does not break through it. Unfortunately, certain encroachments upon the initiative of Parliament cannot be denied. The Chancellors of the Exchequer openly complain of it.</p>
Unanimity of Chancellors of Exchequer	<p>In 1883, Mr. Childers in his official statement says:</p> <p>‘The Minister of Finance must devote still more care to the increase of public expenditures, because Parliament, which in former times undertook the task of watching over public expenditures, seems of late to be less anxious to husband the public funds. In the last three years there have been 576 propositions involving increases and reductions of expenditures; but only twenty related to reduction and 556 related to increases.’ (Session of April 5, 1883, explanatory statement of the budget, 1883-1884.)</p> <p>In 1887, Mr. Goschen stated that in the past seventeen years the expenditures of the civil administration had increased 216,000,000 francs. This increase, he said, was caused to a much greater extent by Parliament than by the various Governments which had been in power during the last twenty years. Further on Mr. Goschen adds:</p>

¹ Thus, certain plans, intended to deal apparently with consideration of the Crown's right of initiative, are added in the following formula: "Expenditures to be paid from funds which 'shall' be appropriated by Parliament." Or the Commons vote an address or pass a resolution involving for the executive the moral obligation eventually to ask for additional appropriations. Or members of Parliament, particularly by individual request, call forth the submitting of this or another estimate of expenditures by the minister.

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‘Although the condition of the treasury is not bad, it would, however, be desirable if the members of Parliament would abstain from demanding the assistance of the ministers for all matters in which they happen to be interested, for purchasing of pictures, furnishing museums, establishing technical schools and colleges, for fortifying the colonies, etc. . . .’ (Financial statement of April 21, 1887.)

In 1893, Sir Vernon Harcourt¹ likewise said :

‘The initiative of Parliament is very generous, because it has little or no responsibility and it runs wild. A scientific campaign is organized and conducted in the House, and on some fine day a resolution is passed which costs the State tens of millions. This accounts for the large increase in public expenditures.’ (Statement of April 24, 1893.)

In 1895, he again complains that

‘Each year new expenditures are demanded from all sides for every sort of thing. And at the same time that these increases of expenditures are suggested, the abolition of some source of revenues is attempted.’ (Statement of May 2, 1895.)

In 1897, Sir Michael Hicks-Beach said: ‘I do not want to preach on the subject of economy. I tried last year to effect some economies although within restricted limits. But I am sorry to have to say that of all the disbursing departments the House of Commons is the worst.’

¹ Sir Vernon Harcourt, who prides himself on belonging “to the old school,” regrets the time when economy was favored by Parliament and by the Public. ‘Economy in finances had the same lot as political economy and a Chancellor of the Exchequer who in these times preaches economy is preaching in the desert. The Treasury is very readily accused of parsimony. May God grant that it be still more parsimonious. Nowadays, if anyone suggests some new expenditure it is accepted as readily as some newly discovered amusement.’ His statement of May 2, 1895, reiterates: ‘Now, at the end of the nineteenth century, economy harks back to a forgotten art; it has become a petty and outworn concern.’

He states further that the reason why he wished to see expenditures reduced was because they were “useless,” in his opinion. This admission deserves to be noted, as it may possibly apply to countries other than England.

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The limitation of parliamentary initiative in budget matters through regulations has not, therefore, proved a panacea; custom alone renders the rules effective. 'The policy of economy was once possible and even popular; the Government was almost forced to be economical; *public opinion compelled it*. Today all is much changed,' gloomily comments the Chancellor of the Exchequer. 'The very moment public sentiment runs contrary to economy, the best regulations become ineffective.'

Thus the figures of the modern budgets of England are no longer encouraging. For 1908-1909 the estimated expenditures rose to 3,820,000,000 francs. For 1912-1913, they amounted to 4,292,000,000 francs, not counting the supplementary appropriations for naval constructions, voted in July, 1912. In 1875, they only totaled 1,625,000,000 francs. Thus the increase is 130 per cent during the first series of 33 years, and 187 per cent during the 37 years.

The expenditures of the South African war, of course, largely increased the budgets. The growth, however, had begun about 1894 and 1895, several years prior to the war. Until that time the *Standing Orders* seem to have produced a relatively wholesome effect, as was expected. After the barrier was once passed, however, the regulations existed merely on paper.

Public
Opinion
Necessary to
Enforce Any
Practice

'For the last four years,' said the Chancellor of the Exchequer in his financial statement of April 13, 1899, 'the total increase, including the sum produced by local taxation, amounted to 476,900,000 francs. The increase in expenditures for 1899-1900 will amount to 150,000,000 francs, which increase follows one of 125,000,000 francs for the past year.'

Thus the restraint which the House of Commons imposed upon itself proved to be effective only so long as public opinion *forced* the Government to economize and held in check 'the robbers concealed in the parliamentary brushwood,' of whom Gladstone spoke. Nowadays, when the fever for armaments and imperialism is seizing the country, these checks are temporarily powerless. Nevertheless a well-constructed budgetary mechanism should always have its checks in order, ready to be applied.

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Practice in France: In France the deputies until recently had the power of suggesting individually and at will any increase of expenditures and any reduction of revenues.¹ The initiative of the Parliament in the matter of the budget was coincident with the initiative of the Executive which was thus proportionately reduced.

Results of Legislative Initiative: From this resulted two great abuses: An open door for ill-advised action and destruction of the equilibrium of the budget, the first causing the second. Ill-advised action was inevitable from the moment each deputy was permitted to set forth on the floor his reasons for asking an increase of expenditures or for a reduction of revenues, according to his individual opinion or in behalf of his constituency. Such pleadings studied with particular care² by their authors, masterfully presented, often with passion, stood a good chance of influencing the Assembly. In a general way, however, it should be noted how matters of taxation or public expenditures treated separately and without regard to balances, can become misleading. A suggestion to increase the appropriation for some branch of service in need, to increase the salaries of subordinate employees insufficiently paid or to increase the pensions of former servants of the State or those of poor members of mutual aid societies, etc., to make an appeal to the generosity of the heart or patriotic pride of the auditors, is an easy way to achieve an irresistible success.

“When we are asked to vote on a measure which has been eloquently and ardently urged without giving us time enough for reflection, we are at times subjected to a test that is too much for a good many of us. Certain precautions ought, therefore, to be taken, not with the purpose of abolishing the power of the Chamber, but to insure a more considerate and less harmful way of exer-

¹ Consult the standard works of Emile Larcher, *L'initiative parlementaire en France*, Paris, 1896; and Louis Michon's *L'initiative parlementaire*, Paris, 1898.

² We say “studied with particular care” from the point of view of oratorical effect and not from the point of view of figures. As a rule the Chamber thinks that it is voting on a modest sum, while, as a matter of fact, millions are involved. Officials reporting on the budget vainly renew their complaints of these deceptions.

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cising its power.” (Session of March 16, 1900. Speech of M. Ribot.)

Mention may be made of the few precautions, spiritless though they be, which the Chamber of Deputies took in 1900: For several years the initiative of the deputies had been the subject of attack. Those in charge of reporting on the budget have shown—by adding the totals resulting from amendments due to individual initiative—that the adoption of such amendments would have increased the budget hundreds of millions. Many orators have pleaded with their colleagues to renounce the initiative as a dangerous practice.

“Ah! The initiative of the *Parlement!*” said Ribot. “I do not wish to speak ill of it; here we know its worth since we have to judge the results. If the initiative of *Parlement* is substituted for that of the executive, then the most active and the most noisy and not the most deserving will benefit by its use.”

League of
Taxpayers
Against
Legislative
Initiative

At the same time the *League of Taxpayers* adopted as the main point of its program the abolition of the initiative of the deputies. The question then became ripe for discussion. Thus in March, 1900, at the end of the discussion on the budget for that fiscal year and after the Chamber had made large use of its power to increase expenditures, the legislative prerogative of initiating amendments was first struck at by a vote enacting the following modifications to the internal regulations of the Assembly: “Article 51—As far as the budget law is concerned, no additional amendment or article tending to increase expenditures can be brought in after the three sessions which follow the distribution of the report in which the chapter in question was contained.”

Change in
Legislative
Rules

“Article 51—*Idem*. No proposal either to increase salaries, annuities or pensions, or to create new branches of service, offices, pensions, or to extend them beyond the limits set by the laws in force at the present time can be made in the form of an amendment or of an additional article of the budget.” (Session of March 6, 1900.)

Only a Half
Measure

The new Articles 51 and 51—*Idem*, as we have seen, stipulate nothing with regard to the reduction of revenues. The “*Standing Orders*” of the House of Commons, however, in-

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cluded them in its list of prohibitions. So far as expenditures are concerned,¹ proposals relating to increases benefiting individuals—that is, increases of salaries, annuities, offices and pensions—are the only ones that are prohibited.

The reform, therefore, is relatively unimportant, both in the text of the changed rule, and in results obtained which seem to be nearly negligible. Its only merit lies in its tendency to bring about a better condition of affairs. But even this tendency provoked opposition and is still opposed. Its adversaries maintain that the rights of the legislative body could be neither contravened nor limited; and on this pretext, which is flattering to the pride of the Chamber, this feeble barrier erected in 1900 may some day be swept aside.² This attempt to make the executive responsible for initiating the budget has been resisted until there is little prospect in the near future of the principle obtaining the support which it deserves.³ The only thing that can be done is for the practice to remain as at present, and for the modification re-

¹ Any amendment tending to increase the expenditures, regardless of its nature, must, under penalty of estoppel, be deposited within three days after the reading of the report. (Article 51.)

Amendments relating to increases of personnel are the only ones which are absolutely prohibited. (Article 51—*Idem*.) The innovation, just as the author of the suggestion has explained, consisted mainly in the fact that henceforth a special law should always be required in order to create offices or to change the organization in the sense of an increase of expenditures. (Speech of M. Berthelot, Deputy, March 15, 1900.)

² At the session of December 4, 1906, in the Chamber of Deputies, a discussion took place on the plan of a resolution which was presented by a certain number of members and which read as follows: "Article 51—*Idem* of the regulation of the Chamber of Deputies is repealed." 134 votes were cast for the adoption of this resolution, 403 against.

³ On May 4, 1902, the author of the suggestion of a restriction of parliamentary initiative, which was adopted in 1900, sought in vain to submit to the Chamber a new plan more comprehensive than the preceding one and tending to prohibit every demand for an increase of expenditure, the corresponding part of which in revenues was not voted in advance. Several speakers insisted that this would mean an attempt against the privileges of the Chamber and against the integrity of universal suffrage. This plan was rejected by 261 votes to 241. See plan of Resolution, June 19, 1902, signed by 105 deputies and tending to abolish completely the initiative of the legislature.

On December 15, 1911, however, Article 60 of the regulations of the Chamber of Deputies received the following addition: "Any resolution involving an increase of expenditures can be voted on only after being reported on by the commission on budget."

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ferred to above to render such service¹ as it may, until a wave of economy gives it [the principle of executive initiative] a broader application.

Practice in Other Countries: Italy² and Belgium³ suffer just as we do from the initiative of the legislative body.

In the United States the Constitution would seem at first to assign to the House of Representatives, itself, the care of the preparation of the budget. But upon closer examination we find that there, as well as in all other countries, the Executive necessarily acts before anything can be done by the House of Representatives. As a matter of fact, the committees of the House have the special mission of preparing and submitting finance bills. It is necessary, however, that their work be preceded by [departmental estimates⁴ and] suggestions from the Secretary of the Treasury. The text of the statute on the subject is as follows:

‘The Secretary of the Treasury shall at the beginning of each regular session (the first Monday in December) submit to Congress a statement of the needs of each de-

¹ Thus, a suggestion made during the session with regard to the State remunerating municipal forest-guards was declared non-acceptable by the President of the Chamber on November 18, 1907, because the period of three sessions since the distribution of the report was exceeded. In spite of the insistence of the author, the amendment could not be submitted to vote, and the improvised plan of expenditures was postponed until further mature consideration.

² In Italy, the Minister of the Treasury, Sonnino, in his estimates for the fiscal years 1896-1897, speaks of “a continuously increasing stream of solicitations and unreasonable demands which manifested themselves through parliamentary intervention as soon as a reëstablishment of financial equilibrium was announced.” (Statement of November 25, 1895.)

³ In Belgium, the Minister of Finance, de Smet de Naeyer, commented as follows: “I cannot sufficiently emphasize the ill effects which, from the point of view of the equilibrium of the budget, would be incurred through suggesting a reduction of taxes or an increase in expenditures.” (Statement of supporting arguments for the budget for the fiscal year 1896, Chamber of Representatives of Belgium.) Emile Larcher in his book states, however, that in Belgium fewer complaints are made of the initiative of the legislature than in France.

⁴ [The requirements run here as follows: “That hereafter it shall be the duty of the heads of the several executive departments, and of other officers authorized or required to make estimates, to furnish to the Secretary of the Treasury, on or before the 15th of October of each year, annual estimates for the public service. . . .” Editor.]

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partment of the administration for the fiscal year beginning with the first of July next.'

David Wells gives the following commentary on this provision: 'The different departments of the Federal Government submit to Congress at the beginning of each session their estimates of expenditures for the ensuing fiscal year, which suggestions are supplemented by detailed reports.' (David Wells, letter in reply to an inquiry on legislative control conducted by the Cobden Club, July 24, 1876.)

Then only after the estimates of revenues and expenditures compiled by the Secretary of the Treasury, together with their annexed details have been printed and distributed to all the members of Congress, the committees of Congress, supplied with this document, undertake to formulate finance bills. These committees although endowed with governmental attributes unknown to our legislative commissions do not encroach on the executive in the way of substituting themselves for the executive power in its necessary functions.¹ On the contrary, they expressly enlist the preliminary help of the Executive, without which no legislature could possibly frame the national budget.²

AGENCIES COÖPERATING IN THE PREPARATION OF THE BUDGET IN FRANCE

The executive being vested by all the constitutions with the mission of preparing the budget, the question may be asked, "What authorities within the executive branch perform this work? In answering this question it can be said that everybody in the executive branch prepares the budget, or is, at least, associated with its preparation. This is indicated by the following formula: "Each minister prepares, with the help of his official collaborators, the budget of expenditures

¹ [This observation by Stourm must be based on a misconception of the American practice, since the practice as it exists is diametrically opposed to the principle laid down by him at the beginning of this chapter, namely: that finance measures are necessarily the result of executive initiative.—Editor.]

² [Again the author errs in assuming that the Government of the United States, either by executive initiative or action of congressional committees, has anything that resembles a budget.—Editor.]

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for his own department; the Minister of Finance prepares, besides, the budget of revenues."

In France,
Two Classes
of Agen-
cies—Local
and Central

In the hierarchy of the collaborators of the different ministers, two categories have to be distinguished: Local agencies and central administrations. This double line will lead us as far as the Minister himself.

Local Administrative Agencies: The local agencies—scattered throughout the territory, close to the public, in constant touch with the people, and knowing in advance and better than anybody else from personal observation the nature, the extent and the reality of the country's needs—are the first ones to prepare the estimates. In case it is proposed to repair roads, improve river beds, raise dams, lengthen locks, construct or locate stores, create official posts, build barracks, schools, warehouses, powdermills, repair buildings, reconstruct dilapidated works, etc., the local services, who cause such works to be done, can best indicate the degree of their utility, or furnish information as to the importance and estimate the cost of such works. Thus the initial proposals or estimates come from the local services. They formulate proposals or estimates either during the year in their official communications and periodical reports, or as special reports at the time the estimates are prepared.

Procedure in
Central
Executive
Offices
of the
Département
ments

From the hands of the local agents these suggestions or estimates are forwarded in the regulation way to the central office of the *département*. This is the second stage. The central bureaus or offices in each ministry distribute among themselves the estimates prepared by the services of which the ministry in question has charge. Thus in the Ministry of the Interior, matters relating to measures adopted for reforming convicts, sanitary matters, municipal matters, matters of the provinces, of general safety, public charities, etc., are handled by as many special administrative bureaus. The Ministry of Public Works is divided in the same way into the administrations of roads, of commercial harbors, of inland navigation, of railroads, of mines, of public buildings, etc.; the Ministry of Agriculture is divided into the administrations of stud farms, of forests, of agricultural hydraulics; the Ministry of Public Instruction is divided into the administrations of higher teaching, secondary teaching, primary teaching, of fine arts, of worship, etc. Placed at the head of the services falling within the sphere of their competence,

Heads of
Bureaus and
Other Work
Divisions

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these central administrative bureaus receive and examine the suggestions or estimates transmitted by the local agencies, reserving for themselves, however, the final revision at the time of the preparation of the departmental estimates. At this time, some of the local suggestions or estimates may be incorporated in the administration plan with or without modifications, while others may be postponed or rejected.

The initiative of the central administrative bureaus, however, exceeds the restricted area within which local agencies, their subordinates, act. When, for instance, enterprises of interdepartmental importance or reforms affecting the entire departmental service or the whole country are involved, or when modifications are contemplated having to do with organization of the personnel, the creation or abolishing of offices, changes in the rate of salaries, etc., the central administrative bureaus or offices of the department, being the only ones to formulate proposals on these points, do so on their own initiative. All the departmental suggestions molded into a single plan, are finally submitted to the minister as executive head.

The rôle of the Minister consists in summarizing and revising the plans of his various administrative bureaus and offices in exactly the same way as we have seen these administrative bureaus summarize and revise the suggestions or estimates of the local agents. Assisted by the knowledge of a special staff division, placed under his immediate orders—called differently at different times under the various ministries, division of accounting, office of the secretary general, finance division, central bureau, cabinet, etc.—the Minister examines the different estimates which are suggested to him by each of his branches of service. From these suggestions he eliminates unjustified or untimely requests, reduces those which are excessive and admits those demands to which there seem to be no objections. Then, if there be occasion for it, he completes the document on his own initiative by the proposals bearing on the whole.

The plan now becomes that of the Minister as executive head of the department and his alone. The various officers and agencies which in succession coöperated in the formation of the plan, disappear and dissolve in the work of the Minister. It would be vain to search for or to try to distinguish the origin of these various proposals or changes; some may have come from local agencies; others from central administrative

The Minister
as Departmental
Executive

His Line and
Staff
Advisors

The Minister
Responsible
for Estimates

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bureaus. Finally the Minister, personally, may add his contribution. After the changes have all been made, the total constitutes a single departmental budget, or requests for appropriation, by the responsible Minister, as the executive head of his department.

Every departmental budget plan thus prepared is transmitted to the Minister of Finance. Let us consider this personage, important both as to his personal qualifications and the position he occupies.

The Central Agencies in France—The Minister of Finance: Surrounded by the personnel of his central office and of the various revenue [and disbursing] offices, having broad powers of general supervision over the finances, the Minister of Finance commands an army of officers throughout the territory under the jurisdiction of the Government.¹ His authority extends over the following large institutions: *Caisse des dépôts et consignations*, office of old-age pension fund, the savings banks, administration of the mint, *Cour des Comptes*, Bank of France, *Crédit foncier*, association of stockbrokers, etc. Finally, his colleagues in the Cabinet recognize his authority as that of the man who holds the purse strings in his hands.

De Villèle
and Others
as Examples
of Type

Type of Person Required as Finance Minister: It is an immensely difficult task to draw a likeness of the Minister of Finance in France, for the reason that so many incumbents of this office have succeeded each other rapidly. Who shall be chosen as typical from among the one hundred and three holders of this portfolio within the last hundred years?² Each differs from his predecessor as well as from his successor. One of insignificant appearance—short and slim, unnoticeable in the crowd, but “a figure at which one does not look without knowing that it has a name”—is de Villèle, whom we shall quote quite often, because he has left a profound impression upon our financial institutions. Another

¹ See below this chapter for the description of the central administration of finances, of revenue officers and large subsidiary establishments.

² There have been 102 or 103 Ministers of Finance in France within the last hundred years, counting as new ministers the same “incumbents” in case of reappointment. In England we find during the same period, and using the same method of counting, only 36 Chancellors of the Exchequer.

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one of magnificent stature, sonorous voice, imposing on first sight, capable of dealing with the Iron Chancellor by holding in his hand either the pen or the glass—this is Pouyer-Quertier, who signed the Treaty of Frankfort;¹ another one of solemn demeanor, always ready to give up his place as soon as opposition manifests itself, dismissing brusquely the solicitor as well as the advisor, defending with an energetic conviction his ideas of order and justice, is Baron Louis; still another, not less imbued with the same ideas of order and economy but capable of avoiding difficulties and shocks, of arriving at his goal without confusion and of defending opportunely the prerogatives of his portfolio, is Pierre Magne; one again, a born economist, interrupts joyfully his work at the ministry, in order to unveil the statue of Bastiat in some remote locality of the Landes; another succeeds in captivating the Chamber by the clearness of his declarations, the correctness of his plans, his business ability, his instinctive aversion to dark corners of the budget; another, on the contrary, is evasive, trying subterfuges, guessing from whence the wind blows and fearing nothing more than his own opinion. The models can thus be varied endlessly. No matter from what point of view one looks, be it from that of character, eloquence, scientific ability, disinterestedness, urbanity, application, special aptitude, etc., the type, however, remains.

Some writers, however, have attempted to present the Minister of Finance not as he is, but as he should be. Necker, particularly, has done this in a celebrated work and with an insistence which does not seem altogether free from personal feeling. In 1773,² at a time then when no one suspected him of ambitious aspirations he was becoming enthusiastic over the prospect of the splendors of his future position:

“What high and tremendous power and privilege it is to be able to say: All the sentiment of my heart, all my thoughts, every moment of my life can harm or benefit twenty millions of people and make for the ruin or the happiness of the future race! This is probably the greatest power that can be entrusted to human intelligence.”

¹ See the Article of Marquis de Gabriac, “Souvenirs diplomatiques, M. Pouyer-Quertier à Berlin,” *Revue des deux mondes*, February 1, 1896.

² “Eloge de Colbert,” prize oration of the *Académie Française*, 1773.

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Necker's
Views on
the Subject

So far as the qualifications necessary for filling such a position are concerned, Necker took delight in enumerating all those which he thought himself to possess. The list, therefore, necessarily becomes endless: common sense, honesty, simplicity of life, fondness for work, comprehensive view, grasp of details, order and proper distribution of time, knowledge of human nature, wisdom, moderation, etc.

In 1784, after his dismissal from office, he still devoted himself in the introduction to *L'administration des Finances* to an eloquent description of an ideal type of a Minister of Finance:

"It is necessary that an administrator of finance, guided by his genius, while elevating himself to the most lofty ideals, must often by painful contrast devote himself to most laborious work; he must pry into details; he must know their importance and must respect them; his courage must help him to overcome the usual distaste for that kind of application; I am well aware of the fact that in order to succeed one must find oneself well informed and never be distracted by the charm of general speculation; everybody, however, recognizes that generalities are but useless abstractions lacking the certainty of thinking in detail. . . . It is impossible to begin the administration of finance fully prepared for the task, because this work is made up of such a large variety of duties that there is no previous education in existence which would make a man entirely qualified for the position. . . ." (Necker. *De l'administration des Finances de la France.*)

One is tempted to quote *in extenso* those pages which were most warmly received by the contemporary public.¹

¹ The quotations could, as a matter of fact, be prolonged to quite an extent because Necker analyzes one by one a long series of qualifications which a minister of finance has to display while exercising his high functions; in this analysis Necker often becomes eloquent. Toward the end, however, the tone of his writings becomes sad; the author considers the reverse side of the medal; he takes cognizance of the bitter side of the position which, unfortunately, cannot be separated from its splendor; he resented more than anyone else all the bitterness of which he speaks: "If one arrive at the goal of his desires, the passing from private life to a high position affords, as any change in life, a pleasant moment. One still possesses imagination while the compliments and attention occupy the mind and seem to guarantee that one is not mistaken and that it is really hap-

THE FRAMERS OF THE BUDGET

Thiers has characterized with a word, which justly remained famous, the most important quality which a Minister of Finance should possess, viz., ferocity. "I say a certain amount of ferocity because that is needed to defend the Treasury, which belongs to the entire nation, and not to any individual."¹

Others have compared the Minister of Finance to a "bull-dog lying on a strong box"; the idea is the same. Gladstone said that the Minister of Finance resembles a man who is obliged to travel over a road leading through a thicket full

An English
Concept of
the Position

pininess that has arrived. Finally, one is left alone in his cabinet. But then work and worry sit at one's elbow. Clerks preceded by immense portfolios come in one after the other, bringing with them the worries of business. The entire brilliant experience of the start changes into a succession of demands, the satisfying of which is impossible; then comes tumultuous noise and the few words of gratitude are hardly audible among the mass of complaints and murmurs."

Necker concludes with the following philosophical phrase: "Sweet and peaceful souls, do not desire high positions if you want to have serene days and pleasant sentiments; pick the pleasures which are within your reach; cultivate the happiness which you have tested and enjoy peacefully the satisfactions the only enemy of which is time and which satisfactions are not submitted to the danger of violent waves of the high sea."

¹ The text of Thiers' speech in which is found the word *ferocity*, which has since been repeated often, reads as follows: "Well, what I have to say about M. Magne is that he has a mind, endowed with rare common sense. And as far as I am concerned, I put an immense value on this quality on an administrator of finances . . . to this eulogy, however, I am, if you permit me to do so, going to add a slight reproach (Ah! Ah!) but a very slight one. I am not going to reproach M. Magne with the lack of a quality; no, I am going to reproach him with the lack of a certain defect. This defect (I am looking for a word which would characterize it and I am forced to use a rather strange word, but I hope you will pardon me), this defect which M. Magne is lacking is a certain amount of *ferocity*! (general hilarity) which I consider indispensable for a Minister of Finance. I said a certain amount of ferocity, because this is needed for defending the Treasury which while belonging to the entire nation does not belong to any individual." (Speech of Thiers, Chamber of Deputies, May 6, 1864.)

M. Magne, the Minister of Finance, whom Thiers questioned thus *ex abrupto*, as a matter of fact, did not have a ferocious character. He preferred to win his cause by conciliatory actions and his peaceful disposition yielded him marvelous results. Endowed with a remarkable sagacity, persuasive eloquence and prepossessing manners, he succeeded in securing a legitimate and considerable influence over his colleagues and the Chambers.

THE BUDGET

of ambushes, while holding a balancing rod in his hand. Robert Lowe, Chancellor of the Exchequer in 1875, called him "a being, created for producing an excess of revenues"; Sir Cornwall Lewis describes him as an artist in extortion, who can raise the maximum of money with a minimum of discontent.

The Constitutional Position of the Finance Minister: The personal merits which a Minister of Finance possesses, or which he should possess, cannot be displayed unless a certain constitutional superiority of power permits him to put them into effect. Being responsible for [maintaining a balance between revenues and expenditures] the equilibrium of the budget, he must defend this equilibrium against any attempts on the part of the heads of spending departments. He could not maintain with success the incessant struggle, and exercise a complement of qualities needed unless he really possesses a certain supremacy [in finance matters] over those officers whom he as a matter of fact has to instruct.

The Status
Given Him
in France

In France, however, according to the text of the Constitution, the Minister of Finance cannot actually boast any real superiority over his colleagues during the process of the preparation of the budget.¹ The estimates of each minister are transmitted to the Minister of Finance, as we have said above; he examines and summarizes them. This is a requirement of the regulations. The Minister of Finance, however, does not control the estimates.² Article 31 of the Decree of Regulations of May 31, 1862, reads:

"Every year the different ministers prepare the estimates of their respective departments. The Minister of

¹ We shall see in the third part of this book that the Minister of Finance in the course of the execution of the budget acquires a superiority over his colleagues in matters of passing orders for payment and of making payments. In that connection we are going to recapitulate the functions of the Minister of Finance in their totality.

² Roy, Minister of Finance, said in 1821: "The minister of finance is by no means the general controller of the expenditures of the various ministries. It is not his business to enter into the details of their administration, to appraise the utility, the necessity and the urgency of their expenditures and to discontinue at his will branches of public service; the minister of finance would refuse to accept such a power even if one were offered to him." (Speech of Roy, Minister of Finance, at the Chamber of Deputies, July 20, 1821.) The last sentence is superfluous.

THE FRAMERS OF THE BUDGET

Finance summarizes these estimates and supplements them with an estimate of revenues in order to complete the general budget of the State."

There is no doubt that the prerogative of making the estimate of revenues as well as that of drafting the budget message ("Statement of supporting arguments"), of which we shall speak, constitute very valuable privileges. These, however, are not strictly defined superiorities. From the point of view of the Constitution, the Minister of Finance has the same standing as the other ministers. All the treatises on administrative law agree on this point.¹

Superior
Powers Rest
on His
Position in
Cabinet

The Minister of Finance, as we said above, summarizes the proposals of the other ministers; he examines them, but has no control over them. At the most, he takes the liberty of making some observations and of calling attention to the fact that, in order to preserve the equilibrium of the budget an increase of appropriations cannot be allowed, or that the limits of the budget of revenues force him to insist on certain economies.² At different times the Minister of Finance has written a circular note to other ministers that the present appropriations should serve as a strict guide for the new budget and that any increase will be rejected.³ The accounts prepared each year by the Cabinets and communicated to newspapers contain a notice similar to that relating to the budget of 1896:

¹ Consult the best works on Constitutional points by Aucoc, Batbie, Laferrière, Ducrocq. No indication can be found in them as to any provision of law or regulation which would assign to the Minister of Finance a superiority over his colleagues in matters of preparation of the budget.

² Thus, according to an official note communicated to newspapers: "M. Peytral has insisted that the expenditures for 1890 shall not be materially higher than those for 1889." (Session of Cabinet of February 2, 1889.)

³ With regard to the budget for 1893, for instance, the minister of finance addressed all his colleagues the following circular note: "All your efforts should tend to effect all the economies which can possibly be made compatible with the regular course of the service. It is particularly desirable that the appropriations you are to request for the fiscal year of 1893, should not exceed the total of appropriations voted by the Chamber of Deputies for the fiscal year, 1892" (December 31, 1891). Immediately afterward the minister pointed out with regret that his preceding circular note of last year, couched in analogous terms, did not prevent the ministers from including large increases in their estimates.

THE BUDGET

"The Minister of Finance has given a statement of the financial situation; on account of the existing situation he insists that an end shall be put to all efforts to increase the expenditures; he asked his colleagues to revise their proposals strictly so that the expenditures of 1896 should be practically the same as those of 1895." (April 6, 1895.)¹

This short text shows exactly what may be called the *position* of the Minister of Finance who, having no constitutional power of his own, tries to borrow from the Cabinet, so that with his talent for argumentation he may eventually win his cause; this result, however, is often but the result of platonic promises: "All the ministers have joined me in my views," relates the budget message (Statement of supporting arguments) for 1894, speaking of the necessity to restrict the appropriations: "several have really succeeded in doing so," it adds modestly.²

The Minister of Finance, in fact, never acts with absolute authority; he does not think of being permitted to demand the abolition of some expenditures, to reject or to reduce [the estimates and requests of] a certain branch of service, to plan a reform or an economy himself, to penetrate into the details of the estimates of his colleagues,³ or to control them in the proper sense of the word.⁴ The text of no law gives the

¹ M. Ribot, Minister of Finance, who was, however, at this time, also the Prime Minister of the Cabinet.

² Budget message ("Statement of supporting arguments") of the budget bill for 1894 (May 16, 1893).

³ The budget message ("Statement of supporting arguments") often contained at the end of the comparative table of expenditures for the next fiscal year the following sentence: "The explanations furnished in estimates of budgets of every ministry justify these increases in expenditures." The Minister of Finance refers to the personal suggestions made by each of his colleagues without appropriating for himself the figures which do not belong to him. The budget message (Statement of supporting arguments) of the budget for 1902 submitted by M. Caillaux on March 29, 1901, contains even the following sentence: "Finally, the Department of Post Service, they say, has an indispensable need of an increase of appropriations amounting to 6,000,000." This expression "they say" has a peculiar meaning when uttered by a Minister of Finance.

⁴ It also happens that a Minister of Finance suggests at times to some obliging Deputy to propose to the Chamber certain economies which the Minister of Finance would like to see introduced in the budgets of his colleagues.

THE FRAMERS OF THE BUDGET

Minister of Finance this control and he can exercise it only by usurping it.

Even in case the Minister of Finance is at the same time the Prime Minister of the Cabinet, a condition which occurs at times, his powers with regard to the preparation of the budget remain as above described. Thus, the Minister of Finance of the Cabinet in the year 1894-5, said to the Chamber of Deputies:

"Suppose you were engaged jointly with the Government in preparing the budget for 1895. We are here as a Cabinet of ministers; the Minister of Finance, as is his duty, *recommends* to all of his colleagues to try to reduce the expenditures within the limits of possibility and even of impossibility." (Session of December 4, 1894.)

In spite of his predominant position, the Minister of Finance limits himself always to reserved recommendations.

In What Respect Superior to Other Ministers: In a word, the only superiority which the Minister of Finance in France possesses over the other ministers in the matter of the preparation of the budget, consists of:

1. Summarization of the estimates and expenditures.
2. Exclusive preparation of the estimates of revenues.
3. Drafting of the budget—the "statement of supporting arguments" accompanying the financial bill—and presenting it to the Chambers.¹

It has not always been so. In former times Sully, Superintendent of Finance, exercised effective domination over all parts of the administration; to his finance functions were added in succession the functions of the Grand Master of Artillery, of the Superintendent of the Fleet, and those of Chief Road Superintendent of France; he became also the Governor of the Bastille, Ambassador to England, etc. As Minister of Finance, he centralized the administration of all

¹ One might add a fourth item: Affixing in certain cases his obligatory counter signature on all the pledges of expenditures proposed by his colleagues (Article 39 of the decree of May 31, 1862). This last point, however, diverges from the budget, properly speaking, and becomes part of the subject treated in Chapter XXV which is devoted to the expenditures and preventive control over the execution of the budget. We are referring to this chapter for the study of the attributes of the Minister of Finance in their totality.

THE BUDGET

other branches of the service. His Memoirs, after having treated the question of finance, continue as follows:

"As to what is relating to my other offices . . ."; then comes his statement of what he had done for the construction and armament of galleys, "work which the King praised very highly," for ships, for harbors and the coast of Brittany, for the police, for the Army, for the diplomacy and for the *Parlements*.

Due to this concentration of power, all expenditures were influenced by his desire for economy; order was established in the public finances and 21,000,000 francs in cash were accumulated in the Treasury of the Bastille.

Under
Jean-
Baptiste
Colbert

Jean-Baptiste Colbert, Comptroller General from 1661-1683, centralized in totality, or partially, the functions of seven of our present ministries.¹ His correspondence² shows that the affairs of these seven ministries were in reality directed by him and that he, being the master of the funds, was at the same time through these funds master of men and affairs.

This correspondence fills seven volumes in quarto, the following divisions: finances, taxes, mint, industry, commerce, marine, galleys, colonies, provincial administrations, agriculture, stud farms, forests, roads, canals and mines, fortifications, sciences, literature and fine arts, justice and police, religious matters. This shows conclusively that the administration of the country rested in reality with the party holding the keys to the Treasury.

¹ "After the death of Mazarin, Colbert was appointed in succession, Superintendent of Finance, Superintendent of Marine, Comptroller General and Secretary of State, having in his department the Navy, Commerce and the Industries . . . between 1661 and 1672 the power and the credit of Colbert were practically without limits: codes, regulations, ordinances, all bear the marks of his influence and all were issued by him. Governorships, ambassadorships, bishoprics, presidencies, superintendencies; in a word, the highest positions were distributed only upon his recommendation . . . he worked sixteen hours per day during the time he was minister . . . he knew no rest other than the rest which consisted in changing the subject in hand" (Pierre Clément. *Histoire de la vie et de l'administration de Colbert*, 1846).

² The correspondence of Colbert has been published through the efforts of Messrs. Pierre Clément and de Boislisle under the title *Lettres, instructions et mémoires de Colbert*.

THE FRAMERS OF THE BUDGET

"Until 1670," says Montyon, "Colbert was the all-powerful Minister and master of the court." Later Louvois contended for the first place. "But," adds Montyon, "in the first period we see M. Colbert invade all the departments and pretend to subordinate politics to the interests of commerce and finance, interfere with military matters, uniforms, armament, marching and camping of troops, and prepare a plan for the organization of judiciary. There is not one branch of government to which he would not extend his supervision."

As Montyon has stated, Colbert articulated everything with the question of finance, which meant that he based his authority on his position of Comptroller General and disburser of the funds, and he correlatively used this authority to insure regularity and economy in all branches of the administration.¹ The moment he loses this supreme power the public finances are in jeopardy.

"In the second stage," Montyon continues, "Colbert no longer has control over the departments of other ministers and *from that time on he is not the master even of his own department*. He has not the same power to stay the torrent of expenditure caused by war, shipbuilding, festivities, etc." (*Particularités et observations sur les Ministres de Finance*, by Montyon.)

Necker would have liked very much to revive for his own benefit the far-reaching powers of Colbert. In pronouncing his well-known eulogy, which was awarded the prize by the

Under
Necker

¹ Thus in his memorandum for the king in 1669, Colbert spontaneously suggested to the king to reduce the expenditures of the marine by two million livres, the expenditures of the Navy by three millions, the expenditures of the Army by one million and the expenditure on fortifications by two millions. On the contrary, however, he wanted to grant to commercial companies an increase of one million. In a previous memorandum, July 22, 1666, in various chapters under the following titles, "Marching of troops in the interior of the kingdom and assembling of army corps" and "that the officers keep the pay of their soldiers," he treats the most technical military questions having an eye single on reforms which would benefit the budget. "As far as I am personally concerned," he wrote the King, "I must declare to your Majesty that a useless repast costing thousands of *écus* gives me an incredible pain. . . ." Madame de Maintenon used to say: "Colbert thinks of nothing but his finances, and hardly ever about religion."

THE BUDGET

Académie in 1773, he took care to show the good results growing out of the supremacy of the Minister of Finance over the general administration of the country. After having been appointed, however, to the Comptrollership General in 1778, he failed in his attempts to absorb other branches of the service.

"When, carried away by my zeal and by the hope of realizing great economies," he wrote later on, "I desired to be given supervision over all the contracts relating to the departments of war and marine, my demand was interpreted as an abnormal fondness for authority and power."

The most he achieved was that the Treasurers General for the War Department, the Marine Department, the Department of Roads and Bridges and of the Households of Their Majesties, were ordered to submit henceforth their accounts to the public Treasury. Necker had to use great effort to subordinate financially these outside accountable officers. "Without this subordination," he says in the introduction to his edicts of reform, "the particular interest which the administration of finances has to take in economies becomes useless in the service of the King." Necker did not even have access to the *Conseil d'Etat* of the King. As a result of the refusal of this prerogative, which occurred in 1781, he had to retire, as he considered the aforesaid prerogative indispensable in the performance of his functions.¹

During the following century few examples are found which can be compared with Sully and Colbert. Between 1799 and 1815, however, the entire administration of finances was entrusted to two ministers, the Minister of the Treasury and the Minister of Finance—in reality, to Napoleon, who was the real Minister of Finance during his reign. While ruling the Armies, the marine, the general administration, the police, etc., with absolute power he, together with Gaudin²

¹ "I thought that an administrator of finances, responsible upon his honor for the resources of the country, should, for the benefit of the State, be admitted to the deliberations on war and peace." (*Introduction de l'administration des finances.*)

² "The Emperor himself examined the various elements of the budget and devoted particular care to its formation. He verified the statements of appropriations submitted to him by his ministers, taking up article by article, particularly those referring to the

THE FRAMERS OF THE BUDGET

and Mollien,¹ from day to day settled questions of finance—decided on the establishing of new resources, ordered the transfer of funds and the distribution of appropriations and presided in person over the organization work of the Sinking Fund, Cadastral Survey, the *Cour des Comptes*, etc. The public finances were greatly benefited by this concentration of the machinery of control in the powerful hands of the Emperor; the condition of the finances had constantly improved from the year VIII of the French Republic until the downfall of the régime itself.

Under the Restoration, M. de Villèle occupied the position of Minister of Finance for almost five and a half years, being at the same time the Prime Minister. This presidency of the Cabinet, effectively exercised and coupled with the lawful predominance which it involved, permitted him to accomplish important and lasting reforms in financial matters. Traces of his reforms will be found everywhere in a study of budget procedure, because the foundation proper of parliamentary accounting dates from his coming into office. It was he who established the uniformity of blanks and the subordination of all accounts to regulations issued by the Minister of Finance; he defined the various duties imposed upon the officers, pro-

After the
First
Napoleon

departments of war and of marine. The great public works caused profound discussions between the engineers. The Emperor who assisted at these discussions indicated the most urgent work and determined the appropriations which he decided to make for this work during a particular year. Then, after the total figure of the expenditure was determined, the Minister of Finance discussed the ways and means with the Emperor. . . ." (Memoires of Gaudin, Duke of Gaëta.) At the time when the *Cour des Comptes* was organized, the Emperor said to his Minister of Finance as follows: "See before all that this organization be such that any cognizance of abuses ascertained by the *Cour des Comptes* must necessarily reach me."

¹ Mollien in his *Memoires d'un Ministre du Trésor* states that as director of the Sinking Fund he had to submit every day personally a report to the First Consul on the financial events of the day. He remembers that in January 1806 Napoleon himself settled the question of agents and dismissed Barbé-Marbois. As soon as appointed minister Mollien constantly received notes from the Emperor in which the latter pointed out new needs and discussed means of providing for them, with "this passion for details which, combined with the most grandiose views of the total, was the subject of constant amazement to his ministers."

The *Correspondence de Napoléon*, moreover, shows on every page that the effective and detailed management of finances in reality rested with the Emperor.

THE BUDGET

viding for the exercise of control over all agents who handled funds and vouchered expenditures; he furthermore worked out the provisions set forth in his celebrated ordinances of 1822, 1823, 1824 and 1827.¹ In order to achieve such results, he had to overcome much opposition, compel many against their will, abolish red tape, combat abuse—in a word to wield at all times the exceptional authority vested in the prominent position he occupied.²

Since de Villèle, the premiership of the Cabinet has been at

¹ De Villèle became Minister of Finance on December 15, 1821, and Prime Minister on December 7, 1822; resigned January 4, 1828.

² The list of the main measures of financial organization which were inaugurated under the administration of de Villèle reads as follows:

In 1822 he pulled the budget out of the mire of temporary arrangements, a thing which none of his predecessors since 1815 had been able to do. He forced the officials to submit to the taxpayers in support of the ordinances and tax assessments all the documents justifying the expenditures (Ordinance of September 14, 1822). He fixed the time for the liquidation and for the funding of orders for payment of expenditures and established a time limit for the duration of the fiscal period. He prohibited the ministers from making any indirect increases of appropriations by means of resources of which they had control. He introduced uniform blanks for the administrator in all branches of the service and forced the ministers to submit annually statements showing the consecutive application of their appropriations. (*Idem.*) He put the *Cour des Comptes* in charge of verifying each year the accounts submitted by the ministers. He entrusted to a special commission the care of enforcing the conformity of statements submitted by the Minister with the blanks and forms used by the General Accounting Office (Ordinance of September 10, 1823). He again attached the Directors General of Financial Excise Offices to the Ministry of Finance in spite of their desire for independence and he unified the work of the General Accounting Office and of the Treasuries (Ordinance of November 4, 1824). He determined the form of accounts submitted by the ministers which had to be controlled by the *Cour des Comptes* and he originated summary statements arranged by classes of accounts in order to facilitate the control and to render it more effective (Ordinance of July 9, 1826). He also specialized the annual vote on the budget by sections of the ministries (Ordinance of September 1, 1827).

The ordinances of September 14, 1822, December 10, 1823, November 4, 1824, and September 1, 1827, constitute the so-called famous ordinances of de Villèle and we shall meet them again and again. A study of the work done by Commissions which preceded the drafting of some of these ordinances, reveals the resistance which they met. If it had not been for the personal authority of the Prime Minister, these ordinances would hardly have gone into effect.

THE FRAMERS OF THE BUDGET

different times in the hands of the incumbent of the portfolio of finance,¹ which fact, however, as we have said above, did not increase the attributes of the Minister of Finance with regard to the budget.

Finally, after 1870-1871, the genius, activity and patriotism of Thiers, then Chief Executive, made him a minister with a general commission. He penetrated into all branches of the administration, particularly into the administration of war, commerce and finance, in order to deal personally with important as well as minor questions. Jules Simon writes: "It is hardly necessary to say that nothing happened without his knowledge in the Ministry of War as well as in the Ministry of Finance."² The personal authority of the Minister of Finance suffered unquestionably through this usurpation. But the liberation of the country, the successful national loan of 5,000,000,000 francs for the payment of the war indemnity and the creation of taxes necessary for the reëstablishment of the equilibrium [the balance between revenues and expenditures] which resulted from the conferences held at Versailles by the managers of different branches of financial service under the personal chairmanship of the chief of the executive power—these events caused questions of finance to overshadow all others. And with this supremacy the chief executive of the Republic was able to subordinate all other ministerial interests to the exigencies of the budget.

Under the Second Empire, by virtue of the Constitution of 1852, the *Conseil d'Etat* (Council of State), in the preparation of the budget, received the plan of the budget from the Minister of Finance before it was submitted to the legislative body, so as to enable the Council to study and to control it in the proper sense of the word. Each section of the budget plan corresponded, as we know, to a ministry, and showed in this way the source of authority.

The *Conseil d'Etat* had the right to devise, amend and modify at will the initial plan; in practice, however, it necessarily availed itself of this right with much reserve.³ The drafting

Under the
Second
Empire

¹ Rouvier in 1887 and in 1904-5; Tirard from December 12, 1887, to April 3, 1888; Ribot from January 26, 1895, to November 1, 1895.

² Jules Simon adds as follows: "The Ministry of Justice and the Ministry of Public Instruction and of Worship were the only ones into the details of which he never entered."

³ The Minister of Finance has often criticized with reserve the budgets of his colleagues before the *Conseil d'Etat* in order to obtain

THE BUDGET

of the budget message fell to the *Conseil d'Etat* and a number of its members, designated by the Emperor, supported the budget bill before the Chambers.

This organization was later deemed incompatible with the parliamentary régime,¹ and the law of May 24, 1872, reëstablishing the *Conseil d'Etat* after the war, did not deem it necessary to restore its ancient attributes with regard to the budget; indeed no legislative attributes were left to this body [except that of consultation, when this is desired by one of the Chambers].

Organization of the Ministry of Finance in France: The Minister of Finance, regardless of type, in order to stand out clearly, needs to be the head of an administration. He is an entity whose existence is bound up with that of his ministry.

Two Groups of Agencies: The Central Administration of Finances in France² is divided into two distinct branches: 1. [Advisory and Staff] Services immediately under the Minister of Finance. 2. Divisions of Excise (*regie*) administrations. The two branches are located side by side in the buildings of the Louvre, and both are regulated by decrees putting into effect the law of December 29, 1882. The personnel [under the ministry in both branches] numbers about 1,800 officers, agents and subordinate employees.

CHARACTER OF ADVISORY AND STAFF DIVISIONS

Among the [advisory and staff] services immediately under the Minister of Finance, the aforesaid decrees and the tables of the budget show the following ten categories: Cabinet of the Minister of Finance; division of personnel and materials; division of control of bureaus of finance administration; division of general supervision of finance; division of transfer (supervising movement of cash); division of public accounting; division of the funded debt; division of the legal bureau of the Treasury and of disputed claims; division of the central

from this assembly a reduction in expenditures, which he himself was unable to bring about.

¹ "A free constitution does not permit the existence of this institution as a branch of the legislative power."

² See Chapters XIX, XX, XXI and XXII in the part dealing with the execution of the budget for what relates to local administration. In this connection, only the central administration is described.

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cash office of the public Treasury; division of central control of the public Treasury.

There are nearly 1,300 officers and agents, beginning with directors general, directors, deputy directors, chiefs and deputy chiefs of bureaus, clerks of all grades, down to non-commissioned agents, agents of the interior service, office agents, etc., who compose the personnel of this first category.

Divisions Not Directly Used in Preparing the Budget: Each of the [advisory and staff] services, however, which is immediately under the minister as enumerated above, has a very unequal importance, particularly with regard to the preparation of the budget. Let us eliminate, at once, all those divisions, the activities of which have no direct relation to our subject. [The five to be eliminated are the cabinet of the Minister of Finance; the divisions of personnel and materials, the cash office; the division of the funded debt; and the division of the legal bureau.]

The cabinet of the Minister of Finance and the division of personnel and materials can be found in almost identical form in all the ministries.¹ It is sufficient, therefore, to enumerate them.

The head paying-cashier of the public Treasury in Paris performs, with a number of exceptions, the same functions as the general paying-cashiers in the *départements*, of whom we shall speak later.

The administration of the funded debt is limited to its special functions, which consist of registering, transferring and reissuing bonds; preparing the liquidating orders and the entries in the ledger for pensions of the State; entering in the ledger the surety bonds of the bookkeepers and other officers and of preparing extracts from these entries—in a word, this administration is exclusively in charge of all matters concerning securities and accounts of overdue annuities, pensions and surety bonds.

The function of the division of the legal bureau of the Treasury consists of the following four activities: (1) Advising the Minister of Finance in all litigious matters in which the responsibility of the State is involved; (2) conducting proceedings for collecting all debts and all outstand-

¹ The cabinet of the minister in the ministry of finance, in addition to its advisory relation, has a special administrative function—the granting of licenses for selling tobacco.

THE BUDGET

ing claims of which the Treasury is the creditor; (3) representing the Treasury before the Courts; (4) safeguarding the interests, rights and privileges of the Treasury in matters relating to surety bonds, legal mortgages, attachments, litigations, etc.

Staff Divisions Directly Involved: The above described services, although undoubtedly of very great intrinsic importance, only incidentally have to do with the preparation of the budget by the Ministry of Finance. In this we have to deal only with the division of public accounting, the division of transfer, and the division for control of offices or bureaus of excise administrations.

Division of
Public
Accounting

The "Division of Public Accounting," says Article 372 of the Decree of May 31, 1862, has "charge of making regulations for the accounting of public funds and of maintaining in each branch of the service a uniform system of blanks"; this definition, however, is not quite complete, because this is only one of the many phases of public accounting which contains the following four functions:

Preparation
of Budget
and Finance
Bills

1. Preparing of financial bills, budgets, statements, memoranda on supplementary appropriations, etc. If in the pages of this book we shall speak of the Minister of Finance as the one who prepares these various documents, it must be understood that he does it through the division of public accounting. Article 374 of the Decree of May 31, 1862, reads as follows: "The division of general accounting has charge of the preparation of the general budget of the State, of the law regulating every fiscal year and of the several laws involving allowances of extra appropriations."

Preparation
and Publi-
cation of
Financial
Statements

2. Publication of official statements, of the final statement of revenues, of the general statement of finances, the general situation as to collecting taxes, etc. The division of public accounting which has charge of keeping the journal and the ledger (*grand livre*) of financial operations is the only one which is able to make an abstract of official figures.

"The general statements of the year and of the revenues and expenditures, the regulations concerning the budget, and a statement of the financial situation which has to be published in accordance with the laws, are made on the forms prescribed by the division of general accounting." (Article 373 of the Decree of May 31, 1862.)

THE FRAMERS OF THE BUDGET

3. Administration of the records and reports required of all accountable officers, treasurers general, receivers of taxes, agents of excise offices; also accountants not subordinated to the ministry of finance, in conformity with Article 372, mentioned above; consolidation of the statements of expenditures which have to be transmitted to the Minister of Finance by the latter's fellow-ministers in compliance with the law of December 26, 1890. The Decree of May 16, 1863, intentionally gave to the old institution of "General Accounting" the title of *General Administration of Public Accounting* in order to emphasize the fact that the institution should extend its activity to *all* accounting functions in which the administration of public funds is concerned.

Administration
of
Accounting

4. Administration of the special service charged with the duty of collecting direct taxes. The collectors acting under the authority of the division of public accounting collect the taxes according to lists prepared by the office of general administration of direct taxes, which is described later on among the excise offices. The municipal tax collectors, hospital establishments, etc., are placed under the same administration.

Collection
of Direct
Taxes

These are in their essential parts the four principal functions of the division of public accounting.

The "Division of Transfer" [supervision of the movements of cash] has charge of regulating the flow of cash through the several public treasuries and does not limit itself, as does the division of public accounting, to simply registering the receipts and disbursements. The division of transfer has as its special function to distribute revenues so as to meet expenditures throughout the state. "This division performs to some extent the same functions in the administration of finances as the heart does in a human body. It keeps up and regulates the circulation of the blood, that is, the money in the body of the state," says Mr. Richard Kauffman.

Division of
Transfer—
Its Functions

It has always been a favorite way to use comparison in order to define the general transfer of funds. Some, instead of employing the analogy of the heart, have used the figure of the banker who has charge of furnishing money where there is a shortage and who husbands it when there is an excess; this comparison, however, is not exact. Others have compared it to a compensating pendulum because it counterbalances the expenditures by the revenues through a constant motion. Let us draw from these illustrations three points:

1. Distribution of funds: this means the applying of rev-

THE BUDGET

Distribution of Funds

enue to the expenditures, throughout the territory of the State, a function of which we have spoken above and which is consummated through the following operations: (a) keeping of current accounts of treasurers general, in whose hands are centralized, for the disposal of the Treasury, all the funds collected by its agents; (b) monthly distribution of funds, pursuant to authority granted in anticipation of the needs of various ministries; (c) *visé* of ministerial orders issued within the limits of legislative appropriations, and of decrees or authorities for monthly distribution, which is followed by the sending of the designated amounts to the proper disbursing officers. These details will be described more completely in Chapters XXII and XXIV.

Finding Supplement Revenues

2. Creating of new sources of revenue in case of insufficient current revenues: Not only may some cash in hand become necessary for a temporary reestablishment of an equilibrium between the movement of revenues and the movement of expenditures, but it often happens that the total of revenues of one year turns out finally to be lower than the total of expenditures. Moreover, extraordinary events sometimes occur, such as war, disasters, liquidation of arrears, large public works, etc. It rests, therefore, with the division of transfer to meet these different needs by issuing treasury bonds, by resort to floating debt, by executing different treasury operations, by making collateral loans, or by making other uses of the credit of the State. The division of transfer must at the same time anticipate what funds will be required and provide them. This is one of the most delicate phases of its task. A former director has thus stated the difficulties which he encountered during the year 1883:

“The division of transfer must, as you know, contrive through financial expedients at its disposal to meet temporary deficiencies of revenue and must at the same time provide for making available all the revenues to meet any form of expenditure wherever the need arises, for which the regular and normal revenues of the budget have not provided. The execution of the budget of extraordinary revenues was made possible only through negotiations from day to day at the counter of the Treasury. At no time have I seen the burdens of administration of the Treasury so difficult. I am convinced that the Treasury in 1883 had to meet something like 650,000,000 or 750,-

THE FRAMERS OF THE BUDGET

ooo,ooo francs of deductions or expenditures from the fund balances of the Treasury or from sources outside of what I would call the normal revenues resulting from the ordinary collection of taxes." (Testimony of M. Joseph Gay before the Legislative Commission on Railroads, session of February 23, 1895.)

3. Supervision and control over institutions in which public credit is concerned: Here the number and the importance of subjects with which the division of transfer has to deal, of operations it has to follow, interests it has to protect, information it must necessarily possess, and all work it has to perform, become so large that one can hardly comprehend how a single division can possibly handle the work. A permanent congress of experienced economists dividing its task among its members in accordance with the particular ability of each would have a hard time to perform these duties. The following list gives an idea of what is to be done: supervision over the issuing of money, over monetary questions, credit questions, banks and exchanges; supervision over the bourse, stockbrokers, admission of securities to the market, relations with credit institutions, the solving of crises, relations of the State with railroad companies, guarantees of interest; supervision over savings banks, questions of rural credits, of mutual companies, of limitations of deposits; supervision over the Bank of France; preparation of laws relating to the renewal of its privilege; supervision over the *Crédit Foncier* of France, relations with the *Caisse des Dépôts et Consignations*; knowledge of the situation in foreign countries, etc. The very moment when one of these subjects is raised (on which, by the way, volumes and volumes have been written) or an incident which is liable to agitate the Government, or when a bill is presented in the Chambers, or there is a crisis, or in case of international difficulties or in case complaints of the public arise, the division of transfer must, when consulted, be able to give its advice and prepare a solution.

Supervision
of Institu-
tions of
Public
Credit, Etc.

Finally, the "division of control" of the bureaus or offices of finance administration and of passing orders for payment studies proposals submitted by excise officers for the approval of the Minister of Finance and presents them with its opinion to the Minister for signature. What is the scope of this definition? What is the precise limit between the ob-

Divisions of
Control of
Finance Ad-
ministration

THE BUDGET

ligatory competency of the Minister and of the competency which through delegation is vested in the director general? With whom does the right rest to sign this or that order? The regulations at times state expressly and again leave it to be inferred. In a general way, all important matters, communications addressed to other ministers or to members of the legislature; all matters which are liable to involve an expenditure or to modify the present or future elements of the budget require the signature of the Minister of Finance. The division of control performs a very delicate function by examining, discussing, and disapproving at times the suggestions made by excise officers which the Minister has before him for approval; it prepares and recommends for action the measures of final decisions which it subsequently publishes.

Offices or Bureaus of Finance Administration: The following seems to be a natural gradation of subordinate authorities, which form the second branch of the central administration—those which depend less directly on the Minister. The five offices or bureaus of finance administration are as follows:

- General Administration of Direct taxes.
- General Administration of Registration, Stamp Matters and Domains.
- General Administration of Customs.
- General Administration of Indirect Taxes.
- General Administration of State-owned Industries.

Organization
and
Personnel

The Func-
tion of
Managing
Boards

These administrations employ a personnel composed of directors general, managers, chiefs and deputy-chiefs of bureaus, senior and regular clerks, mailing clerks, etc., in all, more than four hundred people. Each one of these administrations is run by a director general, who is assisted by a managing board which is composed of the director general, the president and the managers. The managers are chiefs of the various divisions into which the services are divided.

The institution of "managing boards" was reestablished at the beginning of the Restoration and tends to limit the personal power of the director general. It was thought most justly at that time that one man with no other guarantee than his personal responsibility should not decide on matters of considerable interest and on the destinies of thousands

THE FRAMERS OF THE BUDGET

of employees of the bureaus and offices of the finance administration. As a result, the Ordinances of January 3, 1821 (relating to indirect taxes and matters of registration), of January 30, 1822 (relating to customs), etc., have organized, or rather reorganized, the collective bodies to which were entrusted the solution of important decisions concerning the personnel and business matters. Cases and methods of deliberation of managing boards were specified in detail in these ordinances. Besides the ordinances proper, a number of contemporaneous pamphlets on the subject may be consulted; these pamphlets give the different commentaries on the necessity of the institution.

The Minister of Finance delegates a portion only of his powers to the finance administrations without ceasing, however, to be their chief. In matters of the personnel, the powers which he delegates are exactly defined. So far as business matters are concerned, the dividing line, as we have seen, seems to be less distinct, at least on paper; because in practice the rule is always observed to appeal to the superior authority of the Minister not only in cases expressly specified, but on every important occasion.

The central administration once grouped around its chief, the chart shows in the second line the so-called subordinate institutions (*Institutions vassales*). The terms "subordinate institutions" express, as well as possible, the more or less dependent and secondary place, very different in all cases, in which the following establishments find themselves with relation to the Minister of Finance.

First, the *Caisse des Dépôts et Consignations*,¹ which, properly speaking, embraces the service of deposits and consignments of savings banks, mutual aid associations, the national pension fund, the life insurance company, the accident insurance company, etc., without speaking of the sinking fund which no longer exists and which is but "a memory of the past and a hope of the future." The director general and the two deputy directors are appointed by decree; the director general, however, can be recalled only upon a properly substantiated demand made by the *commission of supervision* addressed to the chief executive of the country. The "commission of supervision"—which is composed of

Relation of
Organization
to Minister

Subordinate
or "Vassal"
Institutions

The *Caisse
des Dépôts
et Consigna-
tions*

¹ [*Caisse des Dépôts et Consignations* is a Government office in which trust moneys or funds in litigation are deposited for safe-keeping.—The Editor.]

THE BUDGET

members of the legislature, of the *Cour des Comptes*, of the chamber of commerce, of the Bank of France, of the *Conseil d'Etat*, etc.—has the exclusive charge of approving the special budget of the *Caisse des Dépôts et Consignations*, of examining and certifying the accounts of its annual operations, of making a report thereon to the Senate and the Chamber of Deputies, and of making all observations and all verifications which the commission may deem useful.

On account of these various characteristics—such as the quasi-irremovability of the director general, the special budget, not included in the budget of the State, authority resting with an extra-parliamentary commission—the *Caisse des Dépôts et Consignations* seems to demand consideration as an independent institution or, at least, as a subsidiary institution, provided this term is a proper one; nothing is more delicate to define than the link which exists between this institution and the administration of finances. To call this institution independent, without reserve, would mean to ignore the incontestable supremacy of the Minister of Finance. By declaring, however, on the other hand that all the aforesaid guarantees are merely fictitious, as has been said repeatedly, would mean a flat contradiction of the assurances given by the Government, according to which the autonomy of the *Caisse des Dépôts et Consignations* not only exists *de facto*, but has to be scrupulously respected in the interest of the public. Let us couple, therefore, the idea of autonomy with that of feudal allegiance of which we have spoken above.

The *Cour
des Comptes*

The members of the *Cour des Comptes* are recruited and nominated upon the suggestion of the Minister of Finance, with whom also rests the question of their promotion; to the Minister of Finance are also submitted the declarations of conformity relating to each year and each fiscal period, and through the minister of Finance these declarations are communicated to the Chambers. The Attorney General and the courts have constant dealings with this *Cour des Comptes*. The judges of the *Cour des Comptes* are not removable; in this respect their tenure is as secure as that of the judges of the Supreme Court of Appeals (*Cour de Cassation*), constituting thus a tribunal the independence of which—the word “Independence” is essential in the connection—could not be contested, if one bears in mind the deference and respect due the authority which makes the appointments and the promotions.

THE FRAMERS OF THE BUDGET

The Bank of France, a private institution owned by stockholders and dividing its profits in the form of dividends, has its governor, its deputy governors and managers of branches, who are appointed by decree upon nomination by the Minister of Finance. Moreover, the Bank of France has a monopoly from the State, to which it is bound by a special contract; the maximum limit of its business is regulated by law; funds of the Treasury are given to the bank on a running account, etc. All these characteristics place the Bank of France in a relatively subordinate position with regard to the Minister of Finance; this situation, however, does not affect the commercial independence of the Bank.

The Bank
of France

The *Crédit Foncier* of France,¹ the governor and the deputy governors of which are appointed by decree, is also subordinated to the Minister of Finance by virtue of the following provisions:

The *Crédit
Foncier*

"The rural credits associations are placed within the jurisdiction of our minister secretary of state for the Department of Finance." (Decree of June 26, 1854.) "The rural credits associations are subject to audit by finance examiners." (Decree of October 18, 1852.)

The Rural
Credits
Associations

Finally, the Minister of Finance countersigns the appointments of stockbrokers, receives their surety-bonds, decides on the securities to be admitted to the market, and supervises the stock market, etc.

Bourses,
Stockbrokers,
Etc.

Institutions of credit, railroad companies, etc., have constant dealings with the Minister of Finance; these relations have quite often the character of actual dependence.

Thus, when a new incumbent is officially installed, or at the yearly receptions on New Year's Day, we see the waiting-room of the Minister of Finance crowded. After the leading members of his advisory and staff divisions have paid their respects, they having prior right through precedent, delegations from the large divisions of finance administration or subsidiary service departments come in succession to pay him the tribute of their respect. The Minister addresses each of the delegations with a few appropriate words, conscious of the extent of the great power which he exercises.²

The Rule of
Procedure

¹ [The *Crédit Foncier* is a bank which lends money on the security of improved real estate.—The Editor.]

² It has often been demanded that this supremacy of the Minister of Finance, because of its extent and for the sake of its unity, be

THE BUDGET

Its Constitu-
tional
Position

The Treasury in England: One must go to England to find a country where the preparation of the budget is entrusted to a Ministry of Finance, which has really supreme power. In England the Ministry of Finance is an "impersonal" board, and this constitutes its power. This board is recruited, moreover, from among the most influential personages of the cabinet in power.

Its Organ-
ization

At the head of the ministry stands the First Lord of the Treasury, who is generally the chief of the Cabinet—at any rate, he is the leader of the party in power¹—directing the general policy of the country. Under him is the Chancellor of the Exchequer, who has special charge of directing the financial affairs. Besides, there are three or four junior Lords

strengthened by the addition of a "Financial Board," composed of the principal chiefs of the services of the Ministry of Finances, of the inspectors general of finances and even possibly of prominent personages taken outside of the Administration. The functions of this financial board would consist of explaining the important resolutions of the ministry, of studying, more deeply than the Minister is able to do, all special questions and of giving, in a word, a solid base to his responsibility.

"The institution of a special board has existed for a long time in all the large ministries and is lacking only in the ministry of finance. It would reestablish the permanency of good principles, the necessary harmony which is often rather difficult to maintain among the various chiefs of the service and would insure finally the general harmony of all the actions of this vast administration" (*Système financier de la France*). It is thirty or forty years since the Marquis d'Audiffret expressed himself thus, but the reform he advocated has not as yet been introduced. This, however, would have been one of the most simple and most effective reforms to put in practice, particularly in those times of frequently changing ministers.

This reform has been more recently brought to public attention by an article by Alfred Neymarck in the *Journal des Économistes*, October, 1886; the author in 1874 published a pamphlet under the following title: *De la nécessité d'un conseil supérieur des finances*. We have also pointed out the importance of the institution of a Financial Board in the *Réforme sociale* of March 1, 1881.

It is proper, at any rate, to mention that Article 8 of the Decree organizing the Ministry of Finances of January 19, 1885, provides for a "Board of Directors" which has charge of deliberation on all questions of personnel and of discipline. This would mean the first step in the right direction if the provisions of the aforesaid Article 8 were extended to more general questions and if the membership of the Board were increased.

¹ Under the ministry of Salisbury in 1886, for instance, the First Lords of the Treasury, Messrs. Smith and Balfour, who succeeded each other, although they were not Prime Ministers, were at any rate the leaders of the party in power in the House of Commons.

THE FRAMERS OF THE BUDGET

and two Secretaries of the Treasury, all of whom are members of the Ministry. They are the seven or eight personages who sit in the Bureau of the Treasury of England.¹ It is easily seen what extent of supremacy a Ministry of Finances so powerfully organized exercises over the other branches of administrative service.

We have stated above that the First Lord of the Treasury is usually the head of the Cabinet of Ministers. The reason why we did not use the word *always* instead of *usually* is that this rule has been deviated from in a few exceptional cases; this does not, however, mean that the rule is not a normal one since it was in force from 1806 until 1885 without exception and is in force at the present time.² The Prime Minister of England occupies a very high position, in fact the highest a human being can attain. "The Prime Minister does not reign; he governs." He has not the shadow of power, but he holds it in reality.³

Prime
Minister
Usually
First Lord
of Treasury

The prestige which such chairmanship gives to the Bureau of the Treasury can easily be understood.⁴ The deputy of the First Lord is very often together with his chief, the leader of the party in one of the two Houses of Parliament. Owing to the fact that in England the parties obey strict discipline, the presence of the party's two leaders in the Bureau of the Treasury increases so much more the party's authority.

Direct Re-
sponsibility
for Finances

Public opinion unanimously favors the precedence accorded to the Treasury, which tends to guarantee the maintenance of good order in the finances and a wholesome assurance against costly and inconsiderate encroachments on the part of disbursing ministers. In a word, public opinion has very wisely estimated that financial prosperity constitutes the most precious possession and is the vital interest of the country, and that it is, therefore, advisable to give the first position to those men who are in charge of safeguarding this financial

Public Opin-
ion Back of
This Plan
of Control

¹ There is also a permanent secretary outside of the political party who preserves the traditions and the continuation of affairs.

² In 1908 Sir Henry Campbell-Bannerman, Prime Minister, was at the same time First Lord of the Treasury and so was his successor, Mr. Asquith, from April of the same year on.

³ We have taken these remarks from the great work of Count de Franqueville, Member of the Institute, *Le Gouvernement et le Parlement britanniques*, Paris, 1887.

⁴ The First Lord of the Treasury has at times combined his functions with those of the Chancellor of the Exchequer, for instance Sir Robert Peel and Mr. Gladstone.

THE BUDGET

prosperity. Le Play has well said in his book, *Réforme Sociale*:

"The English are convinced that the power of a nation or, in other words, the effort which a nation is able to make in order to defend at all costs its independence and its honor against a foreign power, is measured by the financial resources of the State just as much as by the bravery of its citizens."¹

Thus organized, the Treasury could not very well limit itself, as does the Minister of Finance in France, to a consolidation or summary of various plans of the different ministers. The high position occupied by its members gives to the Treasury an entirely different influence in the course of the preparation of the budget. It was undoubtedly in a sudden outburst of anger and on account of an intention to throw off the responsibility for the irremediable increase of public expenditures against which he protested that Sir Vernon Harcourt incidentally exclaimed during his official statement of April 16, 1894: "The function of the Chancellor of the Exchequer is not to discuss the estimates of expenditures; his function is to provide the necessary money." Fortunately, the function of the Chancellor of the Exchequer is not limited to this one thing, particularly because of the fact that in the Bureau of the Treasury the budgets of the individual ministers are submitted to a veritable control and to a possible revision.

Under the Ministry of Pitt, this right of control and of revision became obliterated as a result of repeated contests. Since 1818 the House of Commons has expressly given to the Treasury

¹ Le Play continues as follows: "The organization of finances and even the organization of the entire executive power in England are subordinated to this doctrine. The statesman who directs the Government is customarily the First Lord of the Treasury. His particular duty toward the country and the sovereign is to keep the revenues up to the level of the expenditures. It is manifest that in matters of finances we are suffering not from concentration but from scattering of attributes. No statesman has really any responsibility for the French budget either before the sovereign or before the public. The equilibrium of the budget has always been destroyed, as a matter of fact, by the right of each minister to prepare the budget and to pass for payment the expenditures of his branch of service" (*Réforme sociale*, Vol. II).

THE FRAMERS OF THE BUDGET

“—the power to determine the amount of expenditures of each ministerial department, a power which the Treasury holds by virtue of the Constitution.”—“The Treasury possesses absolute power of rejection, of which it avails itself at times, very much to the displeasure of the departments,” said one assistant of the Financial Secretary in the course of an inquiry.¹

The Treasury has power by virtue of its office to cancel items of expenditure in the budget plans which are submitted to the Treasury, of which it disapproves. This is the extreme limit. In practice, however, the Treasury uses more conciliatory methods; it discusses the figures of the “Estimates” with the chiefs of the services in question; it penetrates into the details; has reasons for each appropriation explained to it, line by line; and succeeds in agreeing only to such expenditures, the necessity of which seems imperative to the Treasury.

Distinction
Made with
Respect to
Army and
Navy

The power of control exercised under these conditions applies only to civil services, that is, services of public works and public buildings, justice, public instruction, sciences and fine arts, diplomatic and colonial service, financial administration, etc., which involve an expenditure of more than 1,000,000,000 francs, or almost half of the budget outside of the Consolidated Fund. Several of these civil services are already placed under the direct supervision of the Treasury.²

So far as the Army and Navy are concerned, this subordination is less strict. After a prolonged conflict the relations between the Bureau of the Treasury and the Secretary of State for War and the First Lord of the Admiralty have been definitely regulated by the “Treasury-Minutes” of November 24, 1870. The provisions of this note determine that three weeks before the meeting of the “Committee on Subsidies” of the House of Commons, the “Estimates” of the Army and Navy shall be submitted in their final form to the

¹ See articles published by M. Auguste Arnauné in *L'Economiste français*, April 14 and May 24, 1885, which show in a very precise way the budgetary mechanism of England.

² The Treasury personally supervises the following branches of civil service: the Exchequer, Paymaster General's department, National Debt Office, Royal Mint, the Audit Office, Office of Supplies, Public Works Loan Board, Works and Public Buildings, Post Office, Board of Inland Revenue, Woods, Forests and Land Revenues.

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Treasury. The latter takes cognizance of these Estimates and leaves to the competent ministers themselves the task of presenting their plans to the House. It is added, however, that the Estimates for the Army and the Navy shall contain no change in classification without previous approval of the Treasury; that no new expenditure shall be included without previous approval of the Treasury; finally, that without the approval of the Treasury, no memorandum, or order relating to organization, or any reform relating to salaries or pensions can be presented to the Sovereign. "The Lords of the Treasury declare that they shall not consider as sufficiently authorized any payment of expenditures, the vote on which shall be demanded from the House of Commons without their previous consent, in conformity with the conditions stated above."

These privileges, which were recognized as necessary in relations with departments particularly jealous of their autonomy, by no means give these departments full independence.¹ It can safely be stated that the Treasury exercises a real right of control in the proper sense of the word over the estimates of other branches of the service. So far as the civil services are concerned, which means more than half of the services on which votes are taken, the action of the Treasury becomes really dominating and the preparation of the budget rests with the Treasury.²

We shall see what beneficial influence the supremacy of the Ministry of Finance, combined with many other causes, exercises upon the prosperity of the finances of England.

In Italy the Minister of the Treasury has certain legal superiority over his colleagues which appears from the fact that the chiefs of the accounting divisions of each ministry are appointed upon his nomination and are supervised by him. But as the question of control is one of particular importance in this connection, we shall speak of it more in detail in the last part of this book.

¹ So far as the Army is concerned, after the number of men under arms, which is the essential base for the budget figures, has been determined by the cabinet, control by the Treasury becomes less necessary.

² The tone of the speeches of the Chancellors of the Exchequer with regard to expenditures shows that the suggestions and the figures for these expenditures result from their own responsibility. See particularly the last budget estimates of Messrs. Ritchie and Asquith.

THE FRAMERS OF THE BUDGET

Recapitulation: Recapitulating the above—who prepares the Budget? The Executive in all countries, with more or less restrictions.

Within the executive branch, what agencies coöperate in the preparation of the budget? First, local agents who are particularly competent to appreciate the needs and the desires of the people. The central administrations summarize, correct, and develop subsequently the suggestions of local agents. The executive heads of the *départements* revise the plans of their subordinates and add their own suggestions. The budget plans of each ministry are then turned over to the Minister of Finance. The latter, vested with more or less authority, according to the country, consolidates or summarizes and controls these plans, adds to them the plan of revenues which is invariably drafted by him alone, and finally submits to the legislature the entire finance bill, which is presented by the Minister of Finance in a "Statement of Supporting Arguments."

Let us draw here the practical conclusion that in the interest of good administration of finance, the larger portion of initiative and authority should rest with the executive branch and within the executive branch with the Minister of Finance.

CHAPTER IV

TIME OF PREPARING THE BUDGET

Time of the Preparation of the Budget in France: Initial Estimates Prepared More Than a Year in Advance; Exceptional Cases; The Request for Estimates; Comment of M. Ribot on the Subject; Objections to Practice; Impairs the Value of the Estimates; Abuses Which are Inherent; Resort to Supplementary Estimates; Proposal to Change the Beginning of the Fiscal Year in 1819; A Plan to Make the Estimates More Proximate; Change Date of Beginning of Fiscal Year; Method of Reducing Period of Preparation; Period of Session of Legislature Determined by Season.

Opening Dates of the Fiscal Year in Foreign Countries: Proposed Reform Adopted by Other Nations; Change of Date in Italy; Date Changed in United States in 1844; April 1 Selected as Date in Prussia; The German Empire; England Eliminates Uncertainty of Estimates altogether; The Budget or Plan Submitted After Estimates Have Been Considered; Parliament Asked to Act on a Present Condition; April 1 or July 1 the More Usual Date.

New Plan of Changing the Date of the Fiscal Year in France Rejected in 1888: Effort of Ribot to Have Date Changed; Objection to July 1 as Beginning Date; Advantages of Practice for Purposes of Control Over Expenditures.

Necessity of Bringing the Estimates Closer to the Actual Facts as a Basis for Financial Planning.

When is the budget prepared, and when should it be prepared? Let us examine into the actual date of its preparation.

Initial
Estimates
Prepared
More Than
a Year in
Advance

Time of the Preparation of the Budget in France: In France, except in case of extraordinary delays, the various departments of Government undertake the preparation of the budget in or about the months of October and November. It is to be understood that this does not mean the October and November immediately preceding the putting of the budget into effect; this would be too nice an adjustment, indeed; it means the October and November of the year preceding. In those months the several departments prepare their budgets for the year following the next ensuing year—that is, for the year which is to begin fourteen or fifteen months later. Thus, in October and November, 1911, the administrations prepare

TIME OF PREPARING THE BUDGET

the budget for 1913, unless there are some exceptional delays.

The answer to the question which was put at the beginning of this chapter is simple, so far as France is concerned. When is the budget prepared? Fourteen or fifteen months, as a rule, prior to the beginning of its execution, unless exceptional circumstances should change this customary practice.

Taking the budget for 1906 as an example: although the Minister of Finance had not submitted a general plan until about the end of 1905, the several departments completed their preliminary work of estimating the expenditures in October and November of 1904. It is possible that they took up this work again at a time less distant from the opening date of the fiscal year. Certain budgets of former years, as a matter of fact, were prepared at different times because of Cabinet crises, temporary arrangements, parliamentary incidents, etc. However, initial preparation of the budgets within the ministries proper, particularly on the part of local services and of the special administrations, takes place about October and November of the second year preceding the beginning of the fiscal period, subject, of course, to rectifications. More exactly the time which lapses is shown by the dates on which specific financial bills were submitted, most of these were submitted the first month of the year previous to the fiscal period [for which they are to be considered]:

Examples of
the Practice

The dates of submitting budget plans to the Chamber of Deputies [for the year referred to] follow:

Fiscal year 1880	January 23, 1879
" " 1881	" 31, 1880
" " 1882	" 21, 1881
" " 1883	" 23, 1882
" " 1890	February 9, 1889
" " 1892	" 17, 1891
" " 1897	" 1, 1896

Some exceptional cases may be noted: the budget plan for 1899 was submitted only on October 21, 1898, because of the general elections of May, 1898; the budget prepared for 1900 was submitted on July 4, 1899, because of the Cabinet crisis of June, 1899; the budget prepared for 1905 was submitted on March 30, 1904; in 1906 the elections of the President of the Republic and of the Chamber of Deputies delayed

Exceptional
Cases

THE BUDGET

the submitting of the budget for 1907 until June 6, 1906; in 1907 the budget for 1908 was not submitted until May 11, 1907, on account of the income tax question then at issue; the budget for 1909 was delayed until May 19, 1908, and that of 1912 until July, 1911, for the same reason.

The Requests for Estimates

If the Minister of Finance is to be ready to present his general budget plan to the Chambers in January, February or March, barring exceptional delays, it is necessary that beginning at least with October of the previous year the local services and central administrative offices shall have proceeded to the preparation of their particular budget plans. As a matter of fact, requests are at times sent out for returns at an earlier date. The following is an extract from the circular of August 20, 1889: "It seems necessary for your suggestions to reach me before September 20 next, so that the budget bill can be submitted to and distributed in the Chamber of Deputies on the first day of the session."

Everybody, while commenting on these dates, denounces their bad influence on the budgetary operations.

Comment of M. Ribot on the Subject

M. Ribot, a deputy [now Minister of Finance], in his report on the budget for 1883, said:

"The budget needs to be studied by the government at least three months in advance; the government has, therefore, to begin the preparation of the budget in the month of October and to devote the last quarter of the year to this work. . . . Thus the budget is prepared fifteen months before being put into execution." As Minister of Finance in the Senate on June 12, 1898, he said: "Is it not true that a budget of expenditures drawn up twelve or fifteen months before it is put into execution cannot be definite, that certain expenditures, although necessary, cannot be foreseen so long in advance?"

Objections to Practice

But why, it may be objected, should there be so much haste in preparing and submitting a plan which, according to time-honored practice, the Chambers will sanction only at the end of the year? What motive impels the Minister of Finance to rid himself of it at the very beginning of the session, well knowing that it will remain for ten or twelve months in the hands of the legislature? This is what the legislative body, very jealous of its prerogatives, takes into its own hands just as soon as the Minister of Finance makes it available. Thus

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at the end of a discussion on January 16, 1908, the Minister of Finance was obliged to pledge himself to submit the budget for 1908 not only "as soon as possible" as he wanted to pledge himself first, but on the first day of March. The Chamber, on the other hand, rewards the Minister for his respect by applauding when he pronounces the sacrosanct formula: "I have the honor to deposit on the table of the Chamber the budget plan for the year 19—."

The haste of the Minister of Finance, however, deprives this budget plan of its most essential merit, that is, of exactness in the estimates of revenues¹ and of expenditures. The estimates, being so premature, must necessarily be, if not inexact, at least uncertain. In the course of a year—to which must be added the twelve months during which the budget is being executed—how many political, commercial or financial events may disturb the result of anticipated revenues and upset the estimates of expenditures! Just to think that in October, 1868, and 1869, the Imperial Government quite placidly prepared the budget for the years 1870 and 1871! War and the Commune are rare enough occurrences, but how many incidents of less terrible character are liable to disturb the estimates of the Government? Commercial crises, good or bad crops, market prices of merchandise,² etc., can within a year's time greatly modify the figures showing the result of taxes and the total of expenditures.

Haste
Impairs the
Value of the
Estimates

Not only does the perspicacity of the framers of the budget fail to pierce the haze of a too distant future, but their sincerity, which is more important, often profits by the ambient obscurity intentionally to deceive itself. Hence two kinds of abuses result that are particularly destructive to the

Abuses
Which Are
Inherent

¹ The advance for the budget of revenues is from ten to eleven months and not more than fourteen months; the same is the case with regard to the budget of expenditures because the Minister of Finance, who alone is in charge of preparing the budget of revenues, cannot undertake any work with regard to estimating them before the last moment.

² The prices of commodities and merchandise exercise a considerable influence both upon the result of taxes and upon the total of appropriations to be allotted to the disbursing ministers. There is no question but that many important modifications occur within the course of a year or a year and a half. Taking for example the average of the year 1906 and comparing it with the first months of 1908, it will be seen that oats went down from 20.75 to 17.52 francs; copper from 230 to 161; tin from 484 to 335; lead from 49.85 to 43.35. On the contrary, wine, sugar and meat increased in prices.

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equilibrium of the budget. These abuses, which will be examined in subsequent chapters, are supplementary appropriations and increases.

Resort to
Supple-
mentary
Estimates

First, as to supplementary appropriations: the very moment that it is made difficult to estimate, by reason of the long time which must elapse after estimates are submitted, advantage is taken of this circumstance to keep the initial estimates low, by including only the most certain expenditures, thereby reserving the right to claim during the fiscal year [after the budget is executed] the necessary additions by way of supplementary appropriations. Then, also, come the over-estimates of revenues. They represent nothing short of intentional optimism—a blind and premeditated expression of confidence in the prosperity of the country which, with the underestimates of expenditures, seem to justify this patriotic illusion. So few budgets have realized the balance shown only on paper, so many have seen the promised surplus turn into a deficit under the influence of these two subversive practices, that various attempts have been made to bring the date of the preparation of the budget closer to the date of its execution.

Proposal to Change the Beginning of the Fiscal Year in 1819: At the beginning of the Restoration, M. de Serre, Keeper of the Seals, wrote:

A Plan to
Make the
Estimates
More
Proximate

“So long in advance [he was speaking of the preparation of the budget in January], in the uncertainty of events, every forecast is void and any approximate estimate is impossible. The limits put to expenditures are illusory. More is demanded because of fear that it will not be enough. Every rule vanishes into something vague and gives way to arbitrary arrangements.” (Speech in the Chamber of Deputies, February 15, 1819.)

When M. de Serre delivered the above speech, in 1819, the Cabinet, of which he was a member,¹ intended to remedy the evil by changing the opening date of the fiscal year.²

¹ The Ministry of December 17, 1818, was composed as follows: De Serre, Minister of Justice; Decazès, Minister of the Interior; Portal, Minister of the Navy; Dessoles, Minister of Foreign Affairs; Baron Louis, Minister of Finance.

² We shall explain later on the technical meaning of the words “fiscal year” and “fiscal period.” For the time we have used these

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Instead of beginning in January, the fiscal year was henceforth to begin in July.

From 1789,¹ the fiscal year in France had begun January 1 and ended on December 31, corresponding thus with the political, civil and solar year. The Cabinet composed of M. de Serre and Baron Louis demanded that the fiscal year should henceforth cover twelve months, from July to June, beginning on July 1 and ending June 30.

Change Date
of Beginning
of Fiscal
Year

two terms indiscriminately, even when speaking of England which, however, as we shall soon see, is wrong as far as fiscal periods are concerned.

¹ In 1789 the fiscal year for the *états au vrai* ran from January to December, just as the solar year. This, however, was not always the case. From the speech of Marquis de Marbois (Chamber of the Pairs, July 30, 1821) we take the following details on the various phases of the fiscal year in the beginning of the monarchical system in France:

The formation of the fiscal year underwent many changes under the ancient régime, and when the old year ended after vespers on Easter Saturday the New Year began immediately or on the next day, that is on Easter Sunday. Thus, the financial accounts, subject to the mobility of this holiday, in certain years might cover almost thirteen months, while in other years they would cover only eleven months plus the month of April of about ten days. A large amount of old accounts show this peculiarity.

In 1563 Charles IX issued an order to the effect that all public and private documents be dated by taking January 1 as the beginning of the year. Several years elapsed before this change was generally adopted. Thus the treasurers have not always counted by the twelve months corresponding with the twelve months of the collectors. Some counted from Easter, while the others counted from Christmas.

The collections of the general financial revenues were counted for a long series of centuries from October 1. This system was changed under Charles VII for the benefit of receivers general who, not having "mains garnies" as the individual collectors and receivers, had to count the year from January to January.

The fiscal year of the "villain-tax" (*taille*) remained as it was from October to October because of the harvest and farm work. The villain tax was paid in four installments payable at intervals which varied greatly. The first installment was due on December 1, at the end of two months; the second installment after three months; the third installment on the last of April after two months had elapsed; finally the fourth installment was due on October 1, at the end of five months. In 1780 there was added only exceptionally a period of three months, the months of October, November and December which were added to the interested excises (which were substituted for simple lease) to be reduced later on to twelve equal months. The change was made without difficulty. It changed all the financial operations to the civil year beginning with January 1.

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Method of
Reducing
Period of
Preparation

It is possible that the advantage of such a change cannot immediately be perceived. As a matter of fact, the same interval will always exist in case the opening of the fiscal year is delayed for six months and the preparation of the budget is also postponed for a like period of time. The solution of the question lies clearly in not delaying the preparation of the budget, but in preparing it always about the same time; this would result in shortening by six months the interval between the preparation of the budget and the opening of the fiscal year in July; thus a shorter interval, by six months, would henceforth separate the preparation of the budget from the date of putting it into effect.

It has been said that the regular session, the only one during which the Chambers can devote themselves to a work of such long duration as the study of the budget, is the winter session. The other half of the year, cut short by vacations and agricultural operations, is poorly adapted to prolonged legislative discussions.

"Who, therefore," said De Serre, "shall determine the opening date of the fiscal year? You, gentlemen, according to the rule of your government. On the other hand, this rule depends solely on the customary date of your session. If this customary date should fall in the dead season, that is the winter—and it is not possible to doubt the expediency of such a measure—then this date alone determines the fiscal year."

Period of
Session of
Legislature
Determined
by Season

M. de Villèle, at the same time, explained why it was impossible to keep the Chamber in session in the summer. "By convening the Chambers in July or in August," he said, "you would exclude from the Chambers all those whom it is most important to see occupying its seats; I mean the working and producing man. The representation of France could then be entrusted only to capitalists or Government officers or to the leisure class of Paris." (February 15, 1819.) Duvergier de Hauranne also said: "A Chamber composed of landowners, whose places of residence are distant from Paris, cannot be convened in summer time during the season of agricultural work." (February 12, 1819.)

If, therefore, the most intensive legislative work is accomplished between January and July, that is in winter and in the spring, the legislature must devote itself during this busy

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season to its primary and essential function—that is, to the study and the vote on the budgets. Immediately thereafter the fiscal year should begin. Thus the preparation of the budget being completed, as at present, in the fall, and the legislature having studied the plan of the Government during the winter and having voted on it in the spring, the fiscal law should begin to operate from the 1st of July, reducing the interval from fifteen to nine months.

To begin the fiscal year in July would mean the shortening of the actual delay by six months, and it would mean a considerable abatement of the evil of which everybody is complaining at the present time.

“This date of July 1,” said the statement of supporting arguments for the budget of 1819, “has been selected in order to put as short an interval as possible between the submitting of the budget and its going into operation.”¹ (Statement of Baron Louis, January 11, 1819.)

This plan, supported with fervor by the Government of the Restoration, met with very active opposition. The opposition was favored by Article 49 of the Constitution which provides:

“The land tax is voted only for one year.” This furnished the pretext for discussion. Because of the fact that the exigencies of the transitory period demanded that the land tax during the first year be voted for a period of eighteen months, the members of the Chamber who were opposed to the Ministry, without any further examination, declared the reform to be unconstitutional.² The plan of the Ministry succeeded

¹ The Government of the Restoration brought forth several supporting arguments such as the following: “By beginning the collections in July the first months will be used for publications, notifications and other preliminary formalities which will give time to the land-owners to get in their crops. Thus the first term on which the taxes would be actually collected could begin at the time of the first fructification of the crops.” (Speech of Baron Louis.)

² The exaggeration in the arguments used by the opponents of the plan illustrates sufficiently the heat of the struggle: “They are forging a chain for the nation,—sowing anarchy,—ruining our liberty; if you are violating the Charter you have to fear the same thing for yourself. Remember Bonaparte on the 18th of Brumaire. The disorder introduced in our finances has the purpose of favoring speculators and foreign capitalists.”

Political passion has always obscured the subject of the discus-

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finally in getting a small majority in the Chamber of Deputies. The Pairs, however, clung Judas-like to the text and rejected the reform by ninety-three votes to fifty-four (March 4, 1819).¹ Two days later, a group of sixty new members reestablished the majority of the Government in the *Chambre des Pairs*, but the plan relating to a reform of the fiscal year was not again submitted to vote. Until 1888 this plan was not brought up again for consideration.

OPENING DATES OF THE FISCAL YEAR IN FOREIGN COUNTRIES

In the meantime, almost all foreign countries have adopted the reform.

Proposed
Reform
Adopted by
Other
Nations

Italy, although the last, is at the head of the list because its legislation is based on the experience of nations which have already adopted the practice; also because Italy from the very beginning realized the merits of this reform:

“The members of the Commission on budget, just as all other deputies, have the habit of taking their vacations in the summer time and do not return until the fall when they discuss and draw up the report hastily and abruptly. In order to remedy this situation it would be sufficient to make the fiscal year begin on April 1, as is the case in England, and not on January 1, as is the case in France. Thus the three winter months at the beginning of the year would be devoted to useful discussion and serious study of the budget, preceding almost immediately putting it into operation.” (*Opinione*, November 29, 1877.)

Change of
Date in Italy

April 1, which is the date used in England, was first discussed: Magliani, after having suggested March 1, joined those favoring July 1, which was preferred by the Commission of both Chambers. The law of February 17, 1884.²

sion proper in the eyes of the opponents. The question brought forth by the ministry, which question, by the way, was the only issue, in a most inopportune way excited minds about a matter which should have calmed them.

¹ In conformity with the conclusions of the commission's report, drawn up by the Duke de Levis.

² The law of February 17, 1884, only codified the total of the new rules of accounting. The reform dates actually from the law of July 8, 1883.

TIME OF PREPARING THE BUDGET

definitely sanctioned this date. Article 23 provides: "The fiscal year shall begin on July 1 and end on June 30 of the following year." As a result, therefore, on July 1, 1884, the new fiscal year, 1884-1885, was inaugurated after an exceptional fiscal period of transition which began on January 1 and ended on June 30, 1884. Since that time, in our neighboring countries, only eight or nine months at the most separate the establishing of budget estimates from their realization.¹ This was what the plan of 1819 attempted to accomplish in France. At times, according to tables given in the footnote,² the interval between the estimates of the Minister, submitted in conformity with Article 73 of the law of February 17, 1884, and the opening date of the Italian fiscal year, is reduced to only a few months.

The United States also has the fiscal year run from July 1 to June 30. Until 1844 the fiscal year in the United States, as in France, coincided with the calendar year. Beginning with 1844, the financial statements of the United States mention the double solar year which each fiscal period overlaps. After the Secretary of the Treasury has compiled the departmental estimates and submitted his budget plan to the permanent committee of the House in December, only seven or eight months elapse between the preparation of the Estimates and their being put into operation.

In Prussia the fiscal year begins on April 1. The law of February 29, 1876, provides: "Beginning with April 1, 1877, the fiscal year shall begin on the 1st of April of each year and shall close on March 31."³ As a rule, the Minister of Finance submits his financial estimate to the *Landtag* some

Date
Changed in
United States
in 1844

April 1
Selected as
Date in
Prussia

¹ "Beginning with the month of November of each year the Minister submits to the Parliament the budget plan for the following fiscal period." (Article 27 of the Law of February 17, 1884.)

² Fiscal period 1887-1888, statement of M. Magliani in January 1887

" 1889-1890,	"	"	"	Pérazzi, February 3, 1889
" 1890-1891,	"	"	"	Giolitti, December 16, 1889
" 1891-1892,	"	"	"	Grimaldi, January 1891
" 1893-1894,	"	"	"	Grimaldi, February 11, 1893
" 1894-1895,	"	"	"	Sonnino, December 10, 1893
" 1900-1901,	"	"	"	Boselli, November 28, 1899
" 1904-1905,	"	"	"	Luzzatti, December 9, 1903
" 1908-1909,	"	"	"	Carcano, December 7, 1907

³ There were only three months in the transition period from January 1 until March 31, 1877.

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time in January. For the fiscal year 1908-1909, for instance, the budget plan was presented to the Prussian Chamber on January 18, 1908, by M. von Rheinbaben. Thus only three or four months separate the preparation of the budget from the date it is put into operation.

The German
Empire

The German Empire, its financial year beginning April 1, prepares its budget a little earlier than the individual Federal States of Germany, in order to give the latter sufficient time to adjust their figures according to the total amount of matriculate contributions and fiscal refunds determined on by the Empire. The budget statement is usually made in the *Reichstag* in the month of December: it was made on November 23, 1892, for the fiscal year 1893-1894; on November 27, 1893, for the fiscal year 1894-1895; on December 7, 1894, for the fiscal year 1895-1896; on December 3, 1895, for the fiscal year 1896-1897; on December 5, 1899, for the fiscal year 1900-1901; and on November 28, 1907, for the fiscal years 1908 and 1909. This makes an interval of about four months between the estimates and the putting of the budget into operation.

England
Eliminates
Uncertainty
of Estimates
Altogether

In England, for quite a long time, the fiscal year opened at St. Michael (September 29). Then the opening date of the fiscal year was changed to January 5. In 1832 the supplementary budget postponed this date until April 4. Certain administrations, however, continued to count from the former dates until 1854, when the fiscal period, beginning on April 1 and ending on March 31, prevailed generally and definitely. The fiscal year 1854-1855 inaugurated the new régime which is now in existence.

The Budget
or Plan
Submitted
After
Estimates
Have Been
Considered

Usually in October of each year the various departments are requested by a circular note from the Treasury¹ to prepare their Estimates. These Estimates are submitted to the House of Commons in February, either directly by the competent ministers, as in the departments of the Army and the Navy, or through the agency in charge of the budget, and under the control of the Treasury, so far as the other min-

¹ This circular note is not sent to the Army nor to the Admiralty which, as we have seen, preserves in that way a certain amount of independence from the Treasury. Only the branches of civil service receive this circular note. The departments of the Army and of the Navy, however, also prepare the estimates in the month of October, but do not usually submit them personally to the House of Commons until February.

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isters are concerned.¹ [After the Estimates have been under consideration for several weeks in committee of the whole] the budget or financial plan is submitted by the Chancellor of the Exchequer [in the form of a "budget speech"]. This is done not a year or six months or three months in advance, as is the case on the Continent, but on the eve and in general even on the morrow of the beginning of the fiscal year. This is the remarkable feature of the English system.²

Dates are given below on which the budget speech has been made in the House of Commons by the Chancellors of the Exchequer for the years indicated:

Budget of 1888-1889	March 26, 1888
" " 1889-1890	April 15, 1889
" " 1891-1892	" 23, 1891
" " 1893-1894	" 24, 1893
" " 1898-1899	" 21, 1898
" " 1904-1905	" 19, 1904
" " 1905-1906	" 10, 1905
" " 1907-1908	" 18, 1907
" " 1908-1909	May 7, 1908

The Chancellor of the Exchequer outlines his budget at the time the fiscal period is about to begin or even after it has begun.³ His estimates thus become contemporaneous with the events; he does not forecast the future, but he sees it [being realized each day]. At the very moment he an-

Parliament
Asked to Act
on a Present
Condition

¹ The fact should not be lost sight of that there is in England a "Consolidated Fund" composed of the Civil List, of the debt, etc., which Consolidated Fund is not subject to annual vote and which, as a result, is left out when the Estimates are prepared. This Consolidated Fund will be described later in detail.

² The objection is that this system of estimating and of voting during the fiscal period deprives the English budget of its essential quality of a preliminary estimate. By studying this point of objection in a future chapter we shall see that if the preparation and the voting on the English budget do not precede the opening of the fiscal year, they do precede the putting of the budget into operation.

³ In 1885, Mr. Gladstone, having been forced to resign during the discussion of the budget, the Chancellor of the Exchequer of the new Cabinet of Lord Salisbury, Sir Michael Hicks-Beach, made another financial statement in the House of Commons on July 9, 1885, that is, three months after the beginning of the fiscal period. For the fiscal year 1908-1909 a delay of one month resulted from the resignation of the Prime Minister, whose place Mr. Asquith took in April, 1908.

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nounces his budget, the facts, to which the figures of his budget apply, already begin to materialize, because the fiscal year has begun or is at the point of beginning.

Thus, the Estimates of revenues and expenditures established on a known and permanent basis—safe from remote speculations, brought face to face with actual facts—do not run the risk of being upset by unforeseen events; moreover, experience proves that English budgets work out to the end with comparatively few or no disappointments. We shall urge with still greater emphasis the advantages of such a procedure as against additional appropriations,¹ in Chapter XVII, which is specially devoted to them.

April 1 or
July 1 the
More Usual
Date

The list of countries whose fiscal year does not coincide with the civil year could be further extended. We have already seen that great countries like the United States, England, Prussia, Germany and Italy—since 1844, 1855, 1877 and 1884, respectively—have discontinued the beginning of the fiscal year with January 1, and substituted for that date either the first of April or the first of July. Norway, Canada, Mexico, Servia and Japan have also adopted the first day of July as the date for the opening of the fiscal year. Würtemberg, Denmark, Roumania, British India, etc., have adopted the first of April.² In all these countries the changing of the date had for its purpose and result to shorten the interval which separates the preparation of the budget and its being put into operation, with a view to making the estimates as exact as possible. This interval, reduced to six months or to three months [in other countries], is completely eliminated in England. If the suggested reform had been adopted in 1819, it would have given to France the first place in the above chronological list, but even if we should hurry now we would be only late comers. The other European countries which still have their fiscal year coincide with the civil year are Austria-Hungary,³ Belgium, and Holland.

¹ We shall see that additional appropriations in England were of very little importance for a long time and at times there were none at all; and that the total of expenditures remains often lower than the estimated figure.

² The Minister of Finance at a session of the Chamber of Deputies of June 1, 1888, gave a complete list of states which have changed the date of opening of the fiscal year.

³ The group of countries whose fiscal year coincides with the civil year running from January 1 to December 31 includes France, Austria-Hungary, Belgium, Holland, Luxembourg, Sweden, Russia

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NEW PLAN OF CHANGING THE DATE OF THE FISCAL YEAR IN FRANCE REJECTED IN 1888

The attempt of 1819, mentioned above, was not the only one which has failed in France. More recent ones deserve to be briefly noted. In 1882, M. Ribot, reporting on the budget for 1883, recommended the change of the date of the fiscal year. (Report of July 1, 1882.) The Minister of Finance opposed by answering: "There would be, as a matter of fact, some advantage in shortening the time between the date the budget is prepared and the time it is voted on. Investigations could be made to determine whether it is possible to change the date of the opening of the fiscal period; I do not believe, however, that a great improvement would result." (Chamber of Deputies, July 26, 1882, Speech of M. Léon Say.) There the incident ended. In 1888, however, M. Peytral, Minister of Finance, submitted an official plan "relating to changing the date of beginning the fiscal year." (Session of April 24, 1888.)

Effort of
Ribot to
Have Date
Changed

As in 1819, the vital point of the arguments and speeches of the Minister was the advantage of bringing as close together as possible the time when the fiscal law is prepared and the time when it is put into operation. In order to achieve this purpose, the budget plan should be submitted about January, which does not mean a change in the actual situation. But, instead of letting the budget plan sleep somewhere in the bureaus and the commissions, the legislative body should immediately undertake the examination of the budget plan, devoting to this task the particularly busy session during the winter and spring months.¹ A vote on the budget having been taken, putting it into operation would begin on July 1.

and Finland, Bavaria, Saxony, Baden, Greece, and Switzerland, as far as Europe is concerned. (*Dictionary of Finances*, published under the management of M. Léon Say; Article "Budget" by M. Paul Boiteau.) Spain must be added to this list; by virtue of a law of November 28, 1899, Spain discontinued the fiscal year from July 1 to June 30, and from 1900 on adopted the solar year as the fiscal year.

¹ [This is just what is done in the British Parliament, and in the British Colonial Legislature with the Estimates. They are taken up at once openly in committee of the whole, instead of being referred to a standing committee or commission. Then by April 1 members are ready to act intelligently on requests for expenditure authorizations.—Editor.]

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The interval between the preparation and the execution of the budget would thus be reduced to a minimum of eight or nine months:

"We think that the result of this measure will be that on the one hand the budget will be prepared at a date nearer to the time when it will be put into operation, and on the other hand that its estimates will be more sincere." (Speech of the Minister of Finance, Chamber of Deputies, June 1, 1888.)

We see that both in 1888 and 1819¹ the same causes, viz.: the uncertainty or the lack of sincerity in the original estimates brought forth the same suggestions. The plan was passed by the Chamber of Deputies on June 1, 1888, by 287 votes to 228. In the Senate, however, following the example of the *Chambre des Pairs* in 1819, the Commission on Finances began to formulate decisions hostile to the proposed reform. Then the Assembly—following the advice of M. Léon Say, who reported on the budget after a short debate—refused, by raising the hands, to enter into the discussion of the article; thus no ballot was taken. (June 12, 1888.)

The principal objections which were formulated, however, have only secondary features.² As a matter of fact, nobody

¹ It has been set forth both in 1888 as in 1819 that an improvement of the "method of work" was the thing looked for. "There is only one difference, so far as parliamentary work is concerned, between the year which begins on January 1 and the year which begins on July 1: this difference is that in the first instance the vacations fall in the second half of the year, while in the second instance they are transferred to the beginning of the year. In the first instance the vacations interrupt the study of the budget at the most decisive moment; they involve a loss of time which is always necessary to get the work under way after a long interruption; the vacations leave only two and a half months of continuous work instead of five months which are interrupted but a brief while by the Easter holidays, these five months extending from January 1 until June 30." (Report of M. Camille Pelletan, Deputy, May 28, 1888.)

² In 1888 as well as in 1819 politics played the principal part in the discussion of this financial question. The very moment that this suggestion came from a radical Ministry the party opposing it combated it with closed eyes without seeming even to comprehend its importance.

The newspaper *Le Temps* wrote as follows: "This question could have suitably occupied the leisure time of the Byzantines at the time that Byzantium probably had a decadent budget. . . . The com-

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contested the proposition that there was need to remedy the unsatisfactory condition. It has been generally recognized that the suggested change would permit the legislative body to work in better time and more rapidly; that the interval between the preparation of the budget and of putting it into effect would be shortened and that, as a result, greater accuracy of estimates would obtain very much to the benefit of the equilibrium of the budget. This was the essential object of the plan, and in this direction the question seemed to be completely solved.

It has been objected, however, that by making July 1 the opening date of the fiscal year, the coincidence of the date of putting into effect the budget of the State, of the *départements* and of municipalities would become upset; the direct taxes could not possibly be made to coincide with a new scheme because of the dates of sessions of the *Conseils Généraux*, and, therefore, the old dates of January 1 and December 31 should be kept for them. All these objections were pointed out by the Minister of Finance in the various articles of his plan. From then on the uniformity of dates will cease to exist in our budgets.

Objection to
July 1 as
Beginning
Date

“The Commission on Finances attaches a very great importance to the uniformity of dates, that is, that all the expenditures and revenues of the budget should begin on the same day and end on the same day. The uniformity of the date was demanded in France: the Revolution of 1789 introduced it and your Commission thinks that it should be preserved. . . . There is no doubt that abstracting from local budgets, the double dates remaining only in the general budget, would cause serious inconveniences. . . . By preserving the double date it would be necessary to estimate the effect of a crisis upon the payers of the direct tax at one time and of a crisis of possibly a totally different nature upon the payers of the

mission having the honor of possessing a radical majority, has immediately fallen into ecstasy over the allurements of this great reform. The question whether it would not be better to begin walking with the right foot while the habit is to begin walking with the left foot was the problem which these minds without any elevated view assumed to attack. The moderate Republicans have a hard time exerting themselves to find the benefit of such a change, but they do not succeed. One has to be a radical to grasp this superb innovation.” (Article of March 26, 1888.)

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indirect tax at another time. . . . The uniformity of dates is a very important principle from which we should not depart. The Minister of Finance limits himself to a statement that he does not attach very much importance to the uniformity of the date. This is, however, nothing else than a simple averment which does not seem to us to have much value as long as it is going to be based only on comparisons with foreign countries." (Speech of M. Léon Say, Senator, June 12, 1888.)

It has been alleged, moreover, that the date of the new fiscal year could not be brought into harmony with the season of public works. What use, for example, could the engineers in charge of construction or repairing work on roads, canals, railroads, bridges, ports, etc., make of appropriations put at their disposal only on July 1 after the year is half over and the inclement season is close at hand? All working establishments begin operations in the Spring. To begin to negotiate with contractors in July would mean to run a risk of not being able to move a single spade of dirt. The report made to the Senate insinuated by way of recapitulation that the plan was premature and that the best plan would be to shelve it again. "Thus we shall resolve today as follows: Let us do nothing, because the plan you submit amounts to nothing." A more complete preliminary inquiry might have overcome these objections. Practice would have overcome the difficulties raised on paper, since the system works well in foreign countries.

THE DOUZIÈMES PROVISOIRES IN BELGIUM

Advantages
of Practice
for Purposes
of Control
Over Ex-
penditures

In case no change of date for the beginning of the fiscal year is made, the only way to bring the date of the preparation of the budget closer to the date of putting the budget into operation is to borrow the system of *douzièmes provisoires* (monthly installments) from countries which practice it, particularly Belgium, where the fiscal year runs just as in France, from January 1 to December 31. A subsequent chapter will give more details as to how the procedure of *douzièmes provisoires* consists of voting revenues and expenditures by monthly installments during the fiscal period proper.

In France, such a procedure suggests a condition of disorder and irregularity, in the thought that the occasion for

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its use occurs unexpectedly, as a result of delay, for reasons of expediency and at the end of the year. In Belgium, on the contrary, the *douzièmes provisoires* is an integral part¹ of the machinery of financial control.² When in the month of December the Minister of Finance submits the budget plan [and requests the enactment of the revenue proposals] and the temporary appropriations for the first months of the following year, this statement which everybody anticipates does not cause any emotion or any recrimination; the movement of parliamentary and administrative work is regulated in accordance with this institution.

On the other hand, the partial allotments [or monthly installments], accorded to each branch of service, are calculated in such a way as not to hinder the progress of long-time operations: sufficient installments keep public works going in conformity with the exigencies of the estimates and of

¹ In 1883 this procedure was already described as a very ancient one by the Minister of Finance, M. Graux, who said while submitting the budget plans for 1884: "Criticism has been voiced repeatedly in the Chambers with regard to the method of presenting, previous study, discussion and vote on budgets. Some of the criticisms relate to delay in submitting the budget to the yearly vote by the Chambers. It was necessary for a good many years to resort to temporary appropriations for every fiscal period, so that the very day you have examined and voted the budget the latter has, to a large portion, been already disbursed. This system is a vicious one; the result of this system is to abolish to a certain extent the control of the Chambers." (Speech of February 2, 1883.)

² According to the Belgian practice, the Minister of Finance must submit his budget plan ten months before the opening date of the fiscal period. This provision is lived up to so far as the formality is concerned. Later on, however, in the months of November and December, the Minister of Finance submits a budget in form of a parliamentary "speech," similar to the speech or budget statement of the Chancellor of the Exchequer in England—this speech being delivered on the eve of the opening of the fiscal year, with all the data intended to serve as a definite basis for the consideration of the budget of the coming fiscal period.

Following this statement or budget speech the Belgian Chambers vote the revenues before December 31. Then, during the course of the fiscal period proper, they proceed without haste to a successive examination of each part of the request for appropriations, providing at the same time by means of *douzièmes provisoires* for the continuation of the established activities of the government. The legislature's study of the different departmental estimates ends usually in July and even later; and the complete vote on the financial law occurs about the middle of the year of its execution.

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the contracts.¹ Owing to this arrangement, which may be questioned from some points of view, the estimates are up to date, can be relied on with greater certainty—are as complete as is possible for estimates to be made.

NECESSITY OF BRINGING THE ESTIMATES CLOSER TO THE ACTUAL FACTS AS A BASIS FOR FINANCIAL PLANNING

Recapitulating, we may say that according to the time of its preparation the budget exists or does not exist in the complete sense of the word.

Prepared at a date too far from the time of its going into effect, it constitutes only a rough forecast—a coarse fabric through which intentional and unintentional errors may slip. On the other hand, if prepared at a proper time, the budget becomes a more exact instrument of control over revenues and appropriations. It operates with compelling force on those who pass orders for payment as well as on accountable officers; and during the entire period of its operation the budget dominates the administrative organization. The authority of budget figures comes from their reliability. The countries which did not shrink from meeting the temporary difficulties of reform in budget practice can justly congratulate themselves.

¹ With regard to the possibility of transforming the *douzièmes provisoires* into a regular institution, see our article, "Douzièmes provisoires," published in the *Journal des Economistes* of February, 1887. See also Chapter XV of this book on the subject of "Douzièmes provisoires."

CHAPTER V

THE FISCAL PERIOD AND THE ADMINISTRATIVE PERIOD

The Fiscal Period: Overlapping Transactions; Delayed Obligations to be Met; Principles Governing the Accounting Practice; Regulations Governing; Attempts to Define.

The Administrative Period: Distinguishing Characteristics; Deals with Cash Received and Paid Out with Opening and Closing Balances; "Annual" and "Personal" Administrative Periods.

Advantages of Accounting by Fiscal Periods; Two Advantages Specified; Inconveniences of the System of Fiscal Periods; Vicious Practices Under the Old Régime; How It Was Used to Multiply Officers; Avoidance of Debt; Delays and Their Dangerous Consequences; Method of Correcting Abuses; Care Only Required to Prevent Violations; Disposition to Use Lapsed Balances; Carrying Over Excessive Expenditures; An Encouragement to Delay; Attempts to Prevent Delay; Lateness in Getting Reports to the Legislature.

Accounts by Administrative Periods in England and in Italy: England Abandoned Fiscal Periods; Why England Does Not Suffer Abuses; Advantages of Accounting by Administrative Periods; Italy Chooses the System Used in England; The Method Commonly Used in Private Business; France Requires Private Companies to Adopt.

Mixed Reform Recommended by Baron Louis in 1819: Character of Reform Proposed.

The term "fiscal period" can best be understood after first considering [the annual economic period] the "year."

The Economic Period—the "Year": Public revenues and expenditures, like the revenues and expenditures of individuals cannot go on indefinitely without being closed or brought to a point or period of reckoning. To go ahead, receiving with one hand and spending with the other [without periodical review], would mean acting in a prodigal [thoughtless] way, or would indicate that one wished to conceal the actual situation from one's own eyes. In order to see clearly one's affairs, to direct them in a prudent way, and to be able to appreciate their results, it is necessary on certain dates to recast and sum-

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marize them, to group, analyze, classify and compare one result with another and then start a new period of expenditures [with full knowledge of the significance of past experience]. Commonly, the year constitutes such a lapse of time, at the end of which the periodical reckoning takes place.

The Fiscal Period:

"All nations which possess a rational system of administration have limited to the period of a year all their operations covering revenues and expenditures. This corresponds with the natural order of things, because nature reminds us each year, by means of its [seasonal] products, of questions of public and private expenditures. . . . It is necessary at the beginning of each year to compare estimated revenues with estimated expenditures; it is equally necessary at the end of the year to compare actual revenues with actual expenditures." (Speech of Lebrun, in the Council of the Elders (*Conseils des Anciens*), 8th *Vendémiaire* year V [Sept. 30, 1796] of the Republic.)

It is hardly possible to give a better explanation of the reason why the annual period is the most appropriate for successfully summing up every group of financial operations.

Overlapping
Transactions

Since the revenues and the expenditures of an operating year can by no means complete their evolution within the limits of this cycle, and, since many of them run over for purposes of liquidation to the next year, it was necessary that a procedure of accounting be devised to connect these delayed operations with the group to which they properly belong. The resulting device is a prolongation of the year called the "fiscal period."¹

Delayed
Obligations
to be Met

When a private individual undertakes a necessary expenditure, such, for instance, as repair work or renovation of his furniture, payable out of current revenues, and gives orders to his upholsterer, his cabinet-maker, etc., not only may the work be delayed, but the bills of the tradesmen may also be slow to come in. Then the customer, not too anxious to receive them, may devote a certain time to verifying them after they reach him. In brief, seven, eight or more months

¹ See later the definition of the term "fiscal period" and its historical origin which goes back to the Edict of October, 1554.

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may elapse before everything is definitely arranged and settled. Notwithstanding these delays, the original budgetary charge is the same; the expenditure is still one that affects the year to which it is chargeable and the revenues out of which it must be met.

Two ideas control in this businesslike method of accounting: the first idea is that operations begun within a year shall be recorded as a part of the year's business, the necessary time being allowed for their final completion; the second idea is that the time required for the liquidation and payment in no respect alters the designation of the year which is affected by the expenditure in the accounts. These rules apply to the State as well as to individuals.¹

Like an individual, the State must wait when the year has expired before closing its accounts—that is, until the works, which have been started, shall have been completed and the costs have been determined and paid.

It is necessary, therefore, to include a complementary period

Principles
Governing
the Account-
ing Practice

¹ [In this relation it is to be noted that all of the intricacies and difficulties described are inherent in what is called the "cash" basis of accounting, i.e., the system or method of attempting to keep informed about the operations of a business or other enterprise through recording receipts and disbursements. Modern business has found a way without resort to two accounting periods, one covering the fiscal year and the other used to wind up the affairs of the fiscal year herein called the "fiscal period." Simply stated, the way found by business men is this: to keep "asset," "liability" and "operation" accounts, the initial entries in which show the inception of each transaction; then later when accounts receivable are collected, these are liquidated by "cash receipts"; when accounts payable are met they are liquidated by "cash disbursements." Cash being one of the "assets," a full record is kept of "cash receipts" and "cash disbursements"; but the "operations" of the period do not have to wait for the tardy collections and payments—they are recorded in what are called "revenue" (or income) and "expense" accounts. Using this method, both the "cash" accounts and the "operation" accounts (the total operations of the period) can be closed and the results reported without waiting until the last collections and the last payments are made which have grown out of the business of the year. This method, however, does not take into consideration funds and appropriation devices designed for exercising control over spending officers as distinguished from the corporation or institution as a whole. The idea of the "fiscal period" as distinguished from the "fiscal year" avails to show these relations. This establishes a separate group of fund and appropriation accounts which also may be closed at any time but which show the unexecuted authorizations and the delayed contracts which operate as encumbrances.—The Editor.]

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beyond the operating year, which is attached to the "fiscal year" proper; the "fiscal year" plus this complementary period is called the "fiscal period."¹

We shall see that the regulations allot a longer or shorter space to these delays, according as they are caused by waiting for the completion of work started, by the liquidation and passing of vouchers for payment, and by paying of the total of expenditures, or by collecting the revenues. This will be explained in Chapter XXVI. But it is already clear that the words "fiscal period" mean an extension of the original year, which extension is used for getting together the definite and complete results of the [operating] year in question.

Thus the two terms, "fiscal period" and "[fiscal] year," are so linked together that the first one serves the second. The fiscal period brings together, after December 31, all the assets and liabilities [revenues and expenditures] which belong to the year which has just closed in order to connect them with that year; the fiscal period establishes the definite balance sheet² for the year, just as a receiver appointed by a court collects from all possible sources the assets and liabilities of an insolvent.

The decree of May 31, 1862, only incompletely expressed this idea: "The fiscal period is the period during which the provisions of the budget are carried out." (Article 4.) The fiscal period does run beyond the fiscal year, but to say that

¹ M. Léon Say has said: "The word 'fiscal period' means only that in order to manage and liquidate business matters of twelve months, a period longer than these twelve months is required. The fiscal period has no other meaning." (Senate, November 9, 1888.)

² [Stourm uses the word "balance sheet" in an entirely different sense than is the custom among English speaking people. His concept is more nearly what we call an "operation account"; more exactly it is a statement of "revenues and expenditures," or where the "cash" basis for accounting is employed it is a statement of "receipts" and "disbursements" with a balancing figure. When Stourm uses assets and liabilities shown on the account of a "fiscal period" he means amounts accrued for the benefit of the period and liabilities incurred during the period, which is what we would show in an operation account. As has been said, the need for adopting such a device as a "fiscal period" grows out of a method of accounting which does not produce either a true "balance sheet" (a statement of assets and liabilities) or a true "operation account" currently. With a system such as is used in France, however, it has been found desirable to adopt the device described in order to get a correct view of the operation and condition of funds and appropriations.—The Editor.]

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the fiscal period is only a period of time would be confusing the effect with the cause. The fiscal period has nothing to do with the *carrying out of the provisions* [of the budget] as Article 4 erroneously sets forth, repeating Article 2, which reads: "The financial provisions are carried out during periods of time called periods of administration or fiscal periods." As a matter of fact, during the course of the delays, incident to the closing of the fiscal period, the question of carrying out the provisions of the budget is lost sight of, the only thought being to close the accounts.

Regulations
Governing

The Commission, charged with the revision of the decree of May 31, 1862, wisely suggested the following as a substitute for the old formula: "The fiscal period is the total of assets and liabilities of a year."¹ In this concept, "fiscal period" is treated as a personality, which makes the year whose name it bears the subject of account in order to group rationally the totality of its operations; it has need of the complementary period beyond the limits of the year for this and no other reason. The decree of May 31, 1862, as a matter of fact, clearly stated this point of view in Article 6: "Only liabilities incurred and assets accrued between January

Attempts to
Define

¹ The minutes of the Commission on the revision of the decree of May 31, 1862, declare: "The fiscal period in itself is only the total of assets and liabilities of one and the same year. This is what the decree of May 31, 1862, states correctly in Article 6. Considered from this point of view, the fiscal period acquires in financial parlance its real significance: It no longer represents a conventional period of time; the fiscal period again becomes what it should be, the means of comparing the budgetary forces of the State, serving the purpose of determining for each successive year how much it has produced or has cost: The fiscal period is the positive element and the reason for the existence of the accounts of ministers and for the laws of regulation."

The Commission on revision of the decree of May 31, 1862, which was constituted in 1878 (Decree of Jan. 31, 1878), has published a portion of its minutes from which the above in quotation is taken. A new Commission was formed by decree of June 23, 1888.

[This confines the concept of the "fiscal period" to the account. That is, in the accounts each year is set up as a separate person and all transactions which add to its resources are shown on one side and all transactions which reduce these resources are shown on the other side—the account remaining open till the last transaction is closed. From our viewpoint, this should be the theory adopted for "fund" accounting, but not for "institutional" or "corporate" accounting. It is to give emphasis to the account with the year rather than the "period of time" required to close it that the idea of impersonation is adopted.—The Editor.]

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1 and December 31 are considered as belonging to the fiscal period, deriving its name from the year in question"¹ [but a longer period is required to liquidate and close the account]. More recently the law of January 25, 1889, views the fiscal period in the same light:² "Article 1. The assets accrued and the liabilities incurred between January 1 and December 31 of any budget year are the only ones which can be considered as appertaining to the budget in question."

If, however, we adopt the formula of the Commission and that of the law of 1889, it seems necessary to add a few words to clarify it. The idea of delay is of importance, though it is not vital.³ It was of more importance in former times, for until 1822 no limit was fixed to the fiscal periods;

¹ This Article 6 from which are taken the elements of a sound definition reproduces Article 152 of the Ordinance of de Villèle of Sept. 14, 1822, while Article 4 which gives rise to well-founded criticism, results from the initiative of the official editors of the decree of May 31, 1862, and has no other origin.

² The law of January 25, 1889, had in view shortening the actual delay of the fiscal period. We shall have occasion to speak again on that subject with more detail in Chapter XXVI of this book, which relates to the closing of fiscal periods.

The plan adopted, after the first reading by the Chamber of Deputies, contained an Article 1 which read as follows: "The fiscal period covers operations of revenues and expenditures carried out either for the purpose of collecting products or paying off liabilities of one and the same budget during the period which is open for carrying out the provisions of said budget." Although this wording confirmed the definition made by the Commission, it was considered by the Senate as vague and dangerous: "I think," remarked M. Léon Say, "that if they had said, 'The fiscal period is a fiscal period,' they would have said something just as clear" (Nov. 5, 1888). As a result the Commission on Finances substituted the above wording which was approved on second reading.

³ M. Léon Say spoke in the Senate, on the subject in question, as follows: "What I would want to know is whether it is possible to include the notion of the duration into the definition of the fiscal period." The "duration" of the fiscal period is a modern idea, as we indicated above and as Chapter XXVI will explain more in detail. The conception of an indefinite fiscal period is more perfect in theory than the conception of the "duration" of the fiscal period. A good many reservations and distinctions would have to be made before accepting the above opinion of Léon Say.

It is not useless at any rate to recall the last words of the speaker: "It is by no means an easy task to find a good definition of fiscal period. The best proof of this is that many commissions have undertaken it, but they have given us different definitions." (Session of Nov. 5, 1888.)

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they were permitted to remain open indefinitely. The requirements of accounting alone forced de Villèle in 1822 to close fiscal periods at certain fixed dates.¹ But the conception of an indefinite fiscal period still persists. The fiscal period is certainly not a delay, but it involves a delay, and quite necessarily. If there were no delay, there would be disorder. . . . Therefore, we must take it into account and say:

The fiscal period is made up of the total assets and liabilities of one and the same year, which assets and liabilities result either from operations carried out during the course of the year in question or subsequently.

It would be better to lay aside the formula of the Commission on revision and to discontinue calling the fiscal period "the total of assets and liabilities of a year," as this is not sufficiently exact. As a matter of fact, the fiscal period is not the total of assets and liabilities; it is the budget rather which deserves this designation. The fiscal period *collects* the assets and liabilities; it does not *constitute* them. Possibly as correct a definition as we can adopt is this: "The fiscal period endeavors to adjust the assets and liabilities affecting a single year [in accounts which run] beyond the limits of the year in question."²

The Administrative Period: In the accounts the phrase "fiscal period" is opposed to the phrase "administrative period." Counting by administrative periods means to follow a method quite different from that of which we have just spoken. The decree of May 31, 1862, says:

"The financial provisions are carried out in periods of time, which are called either 'administrative periods' or 'fiscal periods.'" Then it adds: "The administrative period includes the total of actions taken by one accountable officer either in the course of a year or during a term which corresponds with the duration of his functions."

Although this official definition includes several inaccuracies,³ let us use it for the time being.

¹ Chapter XXVI will deal especially with the subject of "closing of fiscal periods."

² [It is to be noted that Stourm still adheres to the personification of the "fiscal period."—The Editor.]

³ Thus the words, "or during a term which corresponds with the

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Distinguishing Characteristics

The accounts of a fiscal period are contained within a period of twelve months, supplemented by a necessary extension which allows for the collecting of all the operations relating to that period.¹ As for administrative periods, there is no need for extensions and complementary delays. The administrative period begins and ends on a fixed date. It strictly registers the actual operations of each day, with the object in view of striking a cash balance. While the accounts of a fiscal period are to a certain extent moral, those of an administrative period are material accounts dealing with cash balances. They have no other object.

Deals with Cash Received and Paid Out, with Opening and Closing Balances

The first item in the account of an administrative period is the cash balance on hand at the end of the preceding period. Then, the operations relating to revenues and expenditures are carried just as they occur from day to day, the last entry showing the final balance on hand in cash and accounts receivable [when the account closed]. The cash drawer and the accounts receivable contained *so much* at the opening of the administrative period. *So much* has been paid in and *so much* has been paid out during the period; therefore, there should be—and there is, as a matter of fact, if the entries are correct—a balance of *so much* at the time of closing. The simplicity of such an accounting is very satisfying. Everything is based on clear and indisputable material facts; on receipts, expenditures, and on nothing else. Consequently, all accountable officers of the State² make out and submit their accounts by administrative periods. The provisions of Article 3 of the Decree of May 31, 1862, states this specifically.

There are two categories of accounts by administrative periods: the account by *annual* administrative period and the

duration of his functions," are absolutely inexact, because an administrative period never includes several years. The words "duration of his functions" can be applied only to the case when the personal administrative period lasts less than one year. That is what the decree of May 31, 1862, was undoubtedly intended to say, without succeeding, however, in doing so.

¹ Not only do fiscal periods extend beyond the end of the year, but at times they open before the beginning of the year, particularly with regard to provisions for war. We have not mentioned exceptional cases, in order not to obscure the clearness of our description.

² The accountable officers in France make out accounts by administrative periods and controlling officials by fiscal periods. We shall see later how these two systems are coördinated in the general financial statement.

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account by *personal* administrative period. The first category includes operations performed between January 1 and December 31, provided the accountable officer has carried on these operations without interruption throughout this period. The second category embraces only that portion of the year in which the accountable officer has performed his duties, in case he has changed his residence, been recalled, or retired, or had died, etc., during the year. Thus, as many accounts of personal administrative periods are rendered as there have been incumbents of the same position during the year. If accountable officers succeed each other rapidly—which is the case at present—the year might be subdivided into two, three or four personal administrative periods.

“Annual”
and
“Personal”
Administrative
Periods

From these explanations, the following definition—which is more precise than that given in Article 2 of the Decree of May 31, 1862—can be deduced:

An administrative period includes the actual operations relating to revenues and expenditures [receipts and disbursements] which were carried out during the course of a year, or during the course of a shorter space of time, in case the accountable officer has performed his functions during only a part of the year.

ADVANTAGES OF ACCOUNTING BY FISCAL PERIODS

After having defined the term [fiscal period] it is proper to set forth the respective merits of the ideas represented by it.

Why did France adopt the system of accounting by fiscal periods, while other countries, such as England and Italy, make up their accounts by administrative periods? How does this accounting method work in these latter countries? What principle should we follow?

Let us begin by describing the advantages of the method of accounting by fiscal periods. These advantages are obvious: in the first place, accounting by fiscal periods permits the establishing of true budgetary situations; and, in the second place, it permits of drawing comparisons between these situations.

Two
Advantages
Specified

Let the administration adopt the method of accounting by administrative periods for the benefit of the accountants, those officers charged with the custody of cash. Those who

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administer the public funds have still other demands to meet. There is not only the question of controlling the treasuries, but also of knowing each budget year's resources and liabilities for the country as a whole. As a result one must be able to look for elements belonging to each budget, even beyond the limits of the year. One must be able to extract these elements even from subsequent years, in order to carry them back to the period to which they belong. This can be accomplished only through accounting by fiscal periods.

This method also permits the comparing of budgets one with the other. In case the [accounts of the year's] operations are abruptly closed on December 31, a delay or an advance of a few days can, without any rational motive, change the results. A year in which the vouchers and payments had been freely anticipated would have its expenditures unduly increased; another year, through inverse procedure, would find itself benefited, because, intentionally or otherwise, large payments would have been postponed. The same anomalies might occur with regard to revenues.¹

As far as accounting by fiscal periods is concerned, a homogeneous grouping of elements, collected either in the course of the year or later, insures a uniformity in the composition of the budgets.

Inconvenience of the System of Fiscal Periods: Like everything else in the world fiscal periods have their advantages offset by inconveniences. These are of two kinds: *historical* and *actual*.

Viewed in the light of history, the system of accounting by fiscal periods favored, under the old régime, financial operations of questionable character. By prolonging indefinitely the closing of accounts of expired years, it was possible to throw a veil over the tardy auditing of many more or less suspicious transactions and to revive, after long delays, ancient or doubtful claims for the benefit of intriguers and favorites. We shall see that Necker denounced these machinations.

It enabled the Royal Government to multiply the offices to be distributed or sold, under the pretext of a better separating of the fiscal periods. The edict of 1554, to which the

Vicious
Practices
under the
Old Régime

¹ We are stating here the crudities to emphasize the pros and cons, reserving the explanations till later.

THE FISCAL PERIOD

origin of the term "fiscal period" is attributed, declared: "We ordain that our accounting officers shall alternate in the 'exercising' of their employment." Thus each year was personified by a distinct accountant, who performed alone all the operations even beyond the duration of the year. The even years were assigned to one receiver, the odd years to another; besides these "alternative or biennial" receivers, "triennial" receivers were appointed, thus making three incumbents for one office; this was done under the pretext of better distinguishing the accounting operations and of preventing "the officers from keeping for themselves funds and moneys entrusted to them," to quote from the text of the edict of 1554.

The old régime did not limit itself, as some humorous writers do, in representing the fiscal period as an accountable officer; but it did give to the fiscal period bones and flesh.¹

This personality became brutal and self-centered as human beings sometimes are. For example: The five hundred incumbents of the 204 receiverships of the villain-tax in the election districts (more than double the number actually needed) were relentless in collecting the amounts due to each of them, overwhelming the poor taxpayers by the cross-fire of their exactions. It was a close race between the coming and the going receiver as to which should for his own benefit rifle the pockets of the taxpayers of the villain-tax. Bailiffs and their deputies quarreled over the attached property—one attaching it for arrears, the other for current taxes. The lamentable picture of this greedy exploitation fills the works of writers on financial topics of that period.²

Turgot, by an edict of August, 1775, hastened to abolish the ancient alternating, triennial or semi-triennial offices of receivers of the villain-tax. Necker extended this reform to those portions of the country which had not thus far benefited by it. But, upon his retirement, by edict of January, 1782, Joly de Fleury, his successor, reëstablished the alternating receivers. The number of villain-tax receivers in elec-

How It
Was Used
to Multiply
Officers

¹ M. Léon Say has specially emphasized this character of personified accounting belonging to fiscal periods and to budgets. (See Article, "Le Budget devant les Chambres," in the *Revue des deux Mondes*, January 15, 1885.)

² The question of villain-taxes and of the methods of their collection is described in detail in our book: *Les finances de l'ancien régime et de la Révolution*.

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tion districts was thereby increased from 204 to 408, under the pretext that the fiscal periods needed to be distinguished by personal representatives.

Such was the case with offices all along the line. In Paris we see 48 receivers general of finances against 24 receiverships general.¹ Half of them filled the position on even years and the other half on odd years in order better to specialize the fiscal periods.

Avoidance
of Debt

Under the old régime and even at the beginning of the [nineteenth] century, the idea prevailed of taking advantage of the supposed personality of the fiscal period in order to be able to say to the creditors: "You are the creditors of a fiscal period, which has no more assets; wait, therefore, until some act of grace is taken for your benefit, because, as it now stands, you have no further claim." Through this fiction, the creditors of the State, transformed into creditors of a fiscal period, had no chance to be reimbursed whenever the resources of their debtor [the fiscal period] became exhausted. Every coin bore the stamp of a certain fiscal period and could be used only for paying the expenditures of that fiscal period.

Settlements for the years prior to 1791, 1793, and the year IV of the Republic were successively made by means of this procedure.² More recently, the Consulate, finding itself confronted by considerable arrears from the years V, VI and VII, addressed the holders of vouchers for payment chargeable to the aforesaid years, as follows: "The fiscal periods in question are bankrupt; their assets are exhausted, hence you can make no further claim." From sheer kindness and pity Minister Gaudin gave these unfortunates annuities capitalized at the rate of 3 per cent., or about one-third ($\frac{1}{3}$) of what was due them.³ (Law of 30th Ventôse, year IX.) As the year VII of the Republic was also unable to meet its liabilities, Gaudin showed himself a little more generous and

¹ Necker reduced the number of these receivers general from 48 to 12, declaring at the same time that 6 would be sufficient. (Edict of August, 1780.) Immediately after his retirement, Joly de Fleury reëstablished the 48 incumbents. (Edict of October, 1781.)

² See what is said on this subject in Chapter XXVI of this book.

³ Two million seven hundred thousand francs entered in the ledger and capitalized at the rate of 3 per cent. formed the capital of 90,000,000 allotted to the creditors of the years V, VI and VII of the Republic. The dividend was at that time very far from par as it was worth only 30, 33 or 35 per cent. (Law of 30th Ventôse, year IX, [Mch. 20, 1801].)

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capitalized the annuities at the rate of 5 per cent., which represented about half the debt.¹ This was obviously little short of disguised bankruptcy for which Napoleon was later gravely reproached. He did not hesitate, however, to proceed in the same way in 1813 with regard to the arrears accumulated prior to 1811.²

The old idea of the fiscal period appears either in the form of a merciless tax gatherer searching out the year's accounts, or the pitiful form of a creditor of the State, vainly asking for payment of amounts due from a bankrupt Treasury. Past history, therefore, was none too encouraging when at the beginning of the Restoration the reform of the system was actively advocated, both in the Assembly and in the press.³

¹ One million of annuities at 5 per cent. interest at par was allotted to the creditors of the year VIII. See our book: *Les Finances du Consulat*, 1902.

² The arrears for the years prior to 1811 were declared in 1813 to amount to 30,000,000, 20,000,000 of which were liquidated by virtue of an agreement with the creditors, by allotting them 1,000,000 of bonds at 5 per cent. interest at par. (Law of March 20, 1813.) The market price of the 5 per cent. annuity fluctuated between 20 and 30 per cent. below par.

³ At this time questions of accounting interested not only the initiated but also the Chambers, where they incited parliamentary struggles. They stirred up the press and the salons, if we can believe the following account quoted from a contemporaneous pamphlet:

"Lately, in one of the most elegant salons of the capital, several deputies engaged in discussing, in the presence of a group of beautiful women, the proposed budget, started between two quadrilles a scientific dispute on accounts by fiscal periods and accounts by administrative periods. The lady of the house, young and good looking, paid respectful attention to this grave matter. 'But you, sir,' she said to a tall thin man, 'whom I recognize by your sunken cheeks, by your careworn forehead, by your severe look, to be an inspector of finances, won't you please give us your opinion?'

"'I came here, madame, to take part in your amusement and not to make you share my troubles; but, if you so desire, I shall at your own risk, explain myself as follows: When giving money to your servants every day for the current expenses you are operating by administrative period; but if your dear husband, desiring to know how much this delightful evening is going to cost him, adds the memoranda of the decorator, the caterer, confectioner, bandmaster, he will make an account by fiscal period and this fiscal period will not seem to him as pleasant as to your guests. . . .

"'When in the course of making your toilette an unfortunate chef comes to present you his order book, you cast an absent-minded glance on the addition for the week and the month and you pay the total

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In all probability we are now safe against the possibility of the return of such abuses; hence, we can view the records calmly.

Delays and
Their Dan-
gerous Con-
sequences

It is, then, only the delays incident to the system of accounting by fiscal periods and the dangerous consequences growing out of them, that are deserving of notice.

At the beginning of the Restoration, before a date for the closing of accounts had been fixed, Baron Louis said:

"The account by fiscal period is never terminated. It can never be closed, unless we can balance against it justifiable bankruptcies. Every day they ask me to pay debts incurred prior to the Revolution; we have twenty years over which such requests can be made."¹ (Speech of Baron Louis, May 19, 1819.²)

Method of
Correcting
Abuses

The ordinance of Sept. 14, 1822, cured, as far as possible, this cardinal defect of the fiscal period method of accounting by fixing a closing date, as we shall see later.³ Then came the law of January 29, 1831, creating the quinquennial statute

without concerning yourself over the bills that shall come in, or about the amount of provisions that were used up: You are thus keeping an account by administrative period. But when your grandmother carefully discusses the ledger of her cook, compares the consumed provisions and the bills still to be paid in order to know precisely what her table costs her by the week, by the month, or by the year, or when your husband calculates the total of expenditures for your household, including all delayed bills, when he compares his expenditures with his annual revenues, in order not to encroach upon his principal, both your grandmother and your husband keep accounts by fiscal periods.' The violins, by beginning to play a waltz, cut short the conversation." (Newspaper article, quoted in the *Situation des Finances au Vrai*, by M. Bricogne, May, 1819.)

This humorous passage describes, as well as a didactic treatise could, accounts by fiscal periods and by administrative periods.

¹ Twenty years, by taking as point of departure the law of 30th Ventôse of the year IX of the Republic, for which date the arrears were stopped, as we have said above.

² At the end of his speech Baron Louis expressed his preference for accounts by administrative periods: "The accounting by administrative period must audit the account of the fiscal period and must review others. I may add one more argument by saying that accounting by fiscal periods is not sufficiently conclusive and representative government needs display." Later on in this book we shall show in a more detailed way what organization Baron Louis wanted to substitute for the system of fiscal periods.

³ See Chapter XXVI.

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of limitations for the benefit of the State. These two innovations, establishing "justifiable bankruptcies" were practically those demanded by Baron Louis in 1819. They were, without doubt, important, even capital, measures. But, from the special point of view of delays, which interests us, they succeeded only in mitigating the evil, reducing its scope, without abolishing the evil itself.

Delays, as a matter of fact, are inherent in the system itself, for the fiscal period necessarily involves matters more or less prolonged beyond December 31, due to the completing of work begun, the necessity for auditing and paying of current claims. These delays have undoubtedly been regularly shortened since 1822, and the law of January 25, 1889, has definitely reduced them to a minimum by fixing January 30 as the date for completing works under way; March 31 as the last date for auditing and vouchering; April 30 as the last date for making collections and payments.¹ This results in a delay of several months, after December 31, devoted to winding up the operations of the year. The interval during which two fiscal periods co-exist opens the door for all kinds of abuses which constitute possibly the greatest objection to the system of fiscal periods [as it now operates].

There is, as a matter of fact, a great temptation during the first few months of each year, when the possibility of passing orders for payments to be charged against the preceding year still remains open, to absorb the balances of appropriations which are still available. Why should these balances be annulled when so many branches of service need money? Why should not vouchers be passed when the time limit, ending March 31, has not yet expired? There can be no doubt that posthumous vouchers for payment can be charged only against works completed prior to December 31; and the treasuries would not recognize vouchers for payment, the dates of which on their face exceeded the regulation time limit. But is there no way to fix dates? It is only necessary that the memoranda and bills shall leave sufficient space for the Government to enter discreetly the regulation figures. This would suffice to put the contractors on notice in advance, constituting an underhanded agreement with them. This is certainly far

Care only
Required to
Prevent
Violations

¹ The details concerning the delays of closing the fiscal period, which delays were determined by the law of January 25, 1889, are given in Chapter XXVI.

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from being right, but it is practiced, and even quite often, as the *Cour des Comptes* has discovered:

Disposition
to Use
Lapsed
Balances

"Everybody knows who has even a little knowledge of governmental practices, that the administrations do not scruple in incurring—after December 31 and until the closing of the fiscal period—new expenditures in violation of law. Thus all the appropriations for the first year are exhausted, in order that none shall be permitted to lapse. The *Cour des Comptes* has repeatedly pointed out charges made wrongfully against a fiscal period during the latter's complementary lapse of time. These practices occur again and again by virtue of a tradition which is stronger than the ministers themselves." (Report of the Deputy, George Cochery, on the subject of the fiscal period, March 26, 1887.) "In order to make this operation possible, items of expenditure are concealed or an understanding is reached with the contractors by virtue of which they turn in blank memoranda." (Report of Deputy Félix Faure, on the subject of regulation of the fiscal period of 1882, on March 3, 1890.)

Carrying
over
Excessive
Expenditures

Thus the prolongation of delay, inherent in the system, favors, in the first place, an abuse of the appropriations, which fact has justly given to the fiscal period the name of *the grave of annulments*. Furthermore, the juggling during the first months of the following year with the operations of the previous year, permits conversely the charging of the excess of expenditures for the fiscal period which has elapsed against the appropriations of the fiscal period just beginning and which at this time of the year, is well provided with funds. There is no doubt that some day an embarrassing amount of arrears will accumulate.

"According to observations made by the *Cour des Comptes*, certain branches of the service have the habit of transferring the expenditures which cannot be paid during the year in which they are incurred to the succeeding fiscal periods. These items are subsequently charged against the first appropriations allotted during the next year. By thus accumulating unpaid claims, a considerable amount of arrears may some day arise unexpectedly."

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(Report of the Deputy, M. Antoine Perrier, on the regulation of the fiscal period 1886, March 21, 1891.)

Finally, the last but not the least grave objection to the system of fiscal periods results from the unavoidable slowness of compiling the accounts. The very moment it becomes necessary to discriminate among the facts pertaining to two different years—in order to find which facts really belong to the period for which one wishes to draw up a balance sheet [statement of revenues and expenditures], such a procedure always causes considerable delay, particularly so in view of the magnitude of the budgets. Many expenditures—incurred at a distance and even in France—when complications arise, cannot easily be recognized and separated from the mass of figures on a certain date. Every minister finds more or less plausible excuses, and alleges circumstances beyond control, in order to justify his delays; thus the Minister of the Navy sets forth the fact that his vessels are scattered all over the sea, in order to explain the delay of the daily report on vessels; the Minister of War explains the delay of statements concerning troops, by the fact of the troops being in camp or under way outside of continental France; the Minister of Colonies states that the delay in the issue of the payroll of officials is occasioned by their being scattered to the four quarters of the globe; the Minister of Foreign Affairs declares that he is delayed in making statements of salaries and expenses for his diplomatic and consular personnel by the latter's residence abroad; the Minister of Finance explains that he is delayed by the slowness of the return of vouchers of his annuitants and pensioners, etc.

An Encouragement to Delay

The legal dates of official presentations, as set forth by the laws for the regulation of the budgets, reveal the inevitable slowness of these operations in connecting the expenditures with the proper fiscal period. By virtue of the provision of the law of July 9, 1836, the plans of regulation were to be submitted to the Chambers during the first two months of the third year of the fiscal period. According to the new law of January 25, 1889, this was to be done thereafter "at the latest at the opening of the regular session of the Chambers which follows the closing of the fiscal period," or, in other words, about the beginning of January of the third year of the fiscal period. (Article 6.) It can plainly be seen that

Attempts to Prevent Delay

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Lateness in
Getting
Reports to
the
Legislature

even observing the new regulations,¹ the accounts for the year, the operations of which have to be controlled, cannot be submitted to the legislative body earlier than twelve months after the end of the year in question.

The *Cour des Comptes* has to produce its general statement on May 1, following the close of the fiscal period (Article 7 of the law of 1889); that means one year and four months after the end of the [fiscal] year in question; and, as the report of the *Cour des Comptes*, annotated by replies from the various administrations, is published much later, the legislative body is not effectively equipped with the facts necessary for its control work until two or three years after the end of the year the operations of which it seeks to verify. (See speech of M. Ernest Boulanger in the Senate on the same subject, March 25, 1895.) The result of this system is that, by trying to render accounting too perfect, it runs the risk of rendering it void, as the control, in order to be efficient, must follow the facts as closely as possible.²

ACCOUNTS BY ADMINISTRATIVE PERIODS IN ENGLAND AND IN ITALY

In view of this last objection, lack of expedition, some of the neighboring countries—viz.: as old a nation as England and as young a nation as Italy—have repudiated the system of fiscal periods,³ and adopted the system of accounting by administrative periods.

¹ For a long time the delays of officials in submitting the plans of regulation reached the average of one year. In 1888 the delay was only 27 days; in 1889 the delay disappeared almost completely. The bills of regulation submitted on the required dates are still, however, very incomplete. Thus the accounts of the ministers are generally not attached; the general statement as to the transferring of accounts is lacking; the general account of finances is still in the course of preparation and so is the final account of revenues; the minutes of the Commission on Ministerial Accounts are not edited, etc. See Chapters XXIX and XXX on this subject.

² These remarks will be treated more in detail in Chapter XXX.

³ Belgium keeps accounts by fiscal periods, as does France. By virtue of the law on accounting of May 15, 1846, every year is prolonged until the following 31st of October for the liquidation of the operations. Prussia also accounts by fiscal periods, the only difference being that the latter country extends the year by only two and a half months.

THE FISCAL PERIOD

In England only those funds [receipts and disbursements] which enter or leave the Exchequer¹ between April 1 and March 31 form the annual budget. The accounts, as well as the budgets, include only the operations actually performed within the twelve months, with no extension of time. There is, therefore, no fiscal period in England, and what we have said on the subject does not apply to that country.²

England
Abandoned
Fiscal
Periods

At first glance, this procedure of rigorously establishing accounts from date to date seems out of place in the budget of a great State, inasmuch as we have said above that only accounting by fiscal periods can furnish true figures—figures susceptible of comparison. Why then does England consent to be deprived of these advantages? And does not accounting by administrative periods afford opportunity for many abuses? And in order to favor the current budget unduly may not the ministers postpone heavy payments until the end of the year? And conversely, cannot the Chancellor of the Exchequer anticipate revenues for the benefit of the present equilibrium? A simple misplacing of documents,³ an advance or a delay of a few days, is sufficient to change the financial statement materially. The temptation to abuse becomes so strong that in France it would be deemed irresistible.

¹ The word *Exchequer*, which we define more fully further on, signifies the public treasury.

² [In England] accounting by administrative periods has been introduced consecutively and definitely as follows: In 1833 in the Navy, in 1846 in the Army, in 1854 in the Revenue Service, in 1862 in Civil Services.

³ In 1882 M. Léon Say thus emphasized the difference existing between the English system of accounting and the French system: "Our public accounting," he said, "is not organized in the same way as the accounting system of England. We regulate our affairs by fiscal periods. We think that not only should we try to find out the amount of money which is going to come out of our treasuries between January 1 and December 31, but that we should also know the expenditures actually made in the course of the year and the revenues which apply to the same year. It is a kind of liquidation which we make from year to year. . . . In the English system of accounting the procedure is different: If an expenditure is not made in one year then the expenditure to be made is charged against the following year." In another part of the same speech M. Léon Say added: "It is enough not to carry out a large payment of, for instance, ten millions, on December 31, and to carry it forward to the 1st of January in order to ease up the fiscal period just closing and to upset the following fiscal period." (Speech of M. Léon Say, Minister of Finance, July 26, 1882.)

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Why
England
Does not
Suffer
Abuses

Fortunately, such is not the case in England. In the first place, the very fact that fraud is so easily detected and so easily committed, causes a rigid control. The moment fraud is suspected, it is looked for, and, therefore, when committed, it is certain of discovery. The "Appropriation Accounts"—drawn up annually by the chiefs of service who issue vouchers in every ministry, controlled by the Treasury and endorsed by the auditor and Comptroller General—do not fail to disclose, particularly to watchful eyes, a fraudulent entry of payments or revenues made or received at the end of the year. This system works so much better because the proximity of the facts, to which the accounts refer, increases the perspicacity of the auditor. Then—and this is probably the best argument—such practices are not followed by our neighbors. They are almost unknown, and no Cabinet would think of resorting to them. The English Ministry and Parliament are not antagonistic to each other as in France.¹ The English Parliament undoubtedly exercises great precaution in dealings with the Crown; but it does not take a defiant attitude toward the Cabinet, which comes from its midst. The Cabinet, on its part, has never abused the great confidence which the House of Commons places in it. The question of possibility of abuses and frauds, without overlooking its importance in other countries, does not exist in England.

Moreover, the system of accounting by administrative periods, if honestly carried out, is capable of yielding results susceptible of comparison one year with another. As a matter of fact, English budgets, at the end of each twelve months, show balances carried over from the preceding year which closely approximate the balances reported for the year which follows. What we call the second year of the fiscal period is balanced with small differences, from one administrative pe-

¹ It is hard to determine the causes of the antagonism existing in France between the legislative and the executive powers. Could it be a remnant of old monarchical encroachments which have survived the change of the régime? It is, however, probably the preponderant influence of the bureaus of the different ministries which, justly proud of their power and their permanence, look with a defiant and hostile eye at the blundering mobility of the legislative body and influence the mind of the Minister against the latter. The aggressive mood, however, comes often from the legislative body itself, which, anticipating the old-time hostility on the part of the bureaus against itself, spontaneously treats these bureaus, as well as the Ministers who are influenced by them, as enemies.

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riod to another.¹ The "Finance Accounts of the United Kingdom" show that the balances and bills which still remain to be collected from the taxpayers on March 31—that is, on the eve of the opening of the fiscal year—correspond within the margin of a few millions to those which will have to be collected from the taxpayers on the last day of the opening fiscal year.² In the same way the supplementary appropriations in "supply services" are, to a certain extent, counterbalanced by appropriations which lapse. Thus, each year receives from the preceding year about as much as it turns over to the following year; this procedure gives results which can be compared one year with another. Abnormal periods alone vitiate this rule.³ Accounting by administrative periods also possesses advantages of its own which are unknown to the fiscal period, among which the promptness with which accounts are prepared is most striking.

By taking into account only the simple and actual facts relating to revenues and expenditures,⁴ and by posting these

¹ In France the operations of the second year of the fiscal period remain approximately equal to each other from year to year. The general statements of finances make it possible to ascertain this: the summary which we give further on shows that the sums carried forward to the second year of the fiscal period always represent almost two and a half per cent. of the total of revenues and ten or eleven per cent. of the total of expenditures.

² According to "Finance accounts for the financial year 1906-1907" the total of revenues carried forward to March 31, 1906, amounted to 123,000,000 francs and a year later, on March 31, 1907, there was a slightly greater balance of 127,900,000 francs to be carried forward to the following fiscal year.

³ In 1842-1843, for instance, when the *income-tax* was reëstablished, the long delays necessitated by the making out of the first lists caused a loss of 55,000,000 in collections for this fiscal year; this amount benefited the following year 1843-1844. The system of accounting by fiscal period would have attached this 55,000,000 francs to the fiscal period 1842-1843. Conversely in 1869, when Mr. Lowe, Chancellor of the Exchequer, changed the dates on which the income-tax was due by fixing one single date for payment in January, he exceptionally credited the year 1869-1870 with 83,350,000 francs from this revenue, while the system of accounting by fiscal periods would have distributed proportionally these revenues between the two interested years. In case of a system of accounting by administrative periods the date of the collection would decide such a question.

⁴ Some writers have called the system of accounting by administrative periods "childish" because of its great simplicity. It seems, however, that the English, on the contrary, attribute to our fiscal period of fifteen or sixteen months "the uselessly complicated character of a folly."

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Advantages of Account- ing by Administra- tive Periods

entries from day to day, the system of accounting by administrative periods is ready at a moment's notice to strike off its balance sheet. In England complete results of the fiscal year closing on the evening of March 31 are published on April 1.¹ The Bank of England, in order to furnish the final data, has only to total the debit and credit entries of the Exchequer. Furthermore, the balance is published monthly in the newspapers. The Minister of Finance, therefore, bases his current budget, not as in France on figures which are two years old, but on figures of the year just ended. His statement submitted to the House of Commons, by giving an account of the operations of the fiscal year just closed, insures for his estimates, during the current year, a solid foundation. The last part of this book, dealing with questions of control, throws further light on the merits of promptness.

In 1860 Italy deemed it expedient to adopt the system of accounting by administrative periods, when it was free to choose from the various European systems of accounting. Its accounting law of February 17, 1884, reads as follows: "The fiscal year begins on July 1 and ends June 30, of the following year." (Article 23.)

Italy Chooses the System Used in England

"Included in the budget accounts are: (1) Revenues ascertained and due between July 1 and June 30; (2) expenditures vouchered and liquidated, and expenditures incurred during the same period of time; (3) the collections made, deposits in the Treasury and payments made during the afore-said period." (Article 25.)

We shall see later in Chapters XXVI and XXX how the system, specified in this article, works: Let us say in this connection that it corrects only the excessively rigorous method of the strict cash account² by superimposing on it an account of ascertained assets. The known revenues and expenditures, although not as yet received or paid out, are added to the actual credit and debit entries of the Treasury

¹ Thus, the Chancellor of the Exchequer was able to publish in the first months of 1912 the complete results of the fiscal year, 1911-1912, and to comment on the excess which resulted definitely from the balances of the accounts on March 31.

² Chapter XXVI shows that even in England the fiscal year is prolonged by means of opening in the Bank a special account in the name of the *Paymaster General*. It is impossible, as a matter of fact, to stop the accounts of the Treasury abruptly and without any delay on the last day of the year.

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in order to complete the financial operations of the year. This forms a sort of "fiscal period" of twelve months only, without prolongation, avoiding the objection of overlapping, which was pointed out as existing in France. Mr. Cerboni, Director General of Accounting in Italy, states very justly in a letter of June 9, 1888:

"One of the considerations which contributed most toward the establishing of a fiscal period of twelve months in Italy was the desire absolutely to deprive the executive power of the possibility of incurring expenditures [obligations] beyond the limits of twelve months. A limitation of opportunity is obtained, or, if you wish, a limitation of temptation to untie the purse strings, because it is certain that the longer a fiscal period lasts, the more the administrations will be urged to expend the total of appropriations allotted by the legislative powers."

Not only do two large countries, England and Italy, practice the system of accounting by annual administrative periods, but commerce knows no other method. Bankers, manufacturers, merchants, keep their books and make out their balance sheets annually. The system of accounting by administrative periods is explicitly described by the commercial code, which devotes Chapter II to "Commercial Books."¹

The Method
Commonly
Used in
Private
Business

There is no doubt that large manufacturing companies, financial associations, for the sake of clearness of their accounts submitted to stockholders, attach to the year just closed certain operations liquidated or paid for subsequently, which operations are an integral part of that fiscal year.²

France
Requires
Private
Companies
to Adopt

¹ The *Commercial Code* requires trades people to keep a continuous system of accounting from day to day which can be stopped and balanced on a moment's notice by annual inventories, in conformity with the following provisions: "Every tradesman must keep a ledger which shows, day by day, his assets and liabilities, and in general, all the entries regardless of whether they are debit or credit entries. He must make each year an inventory of his movable and immovable property, of his current debts, etc." (Articles 8 and 9 of the *Commercial Code*, Chapter II, Commercial Books.)

² Thus the railroad companies attach the revenues and expenditures which their treasury was not able to register before it closed on December 31, to the year to which they actually belong. In the same way the banks calculate the discount of their bills and acceptances on January 1, or, in other words, they distribute *pro rata*, according to the number of days elapsed and still to elapse, the product of the

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But these necessary modifications do not prevent the system of accounting by administrative periods from being effective and up-to-date, since the annual meetings of stockholders can have before them in the months of March or April,¹ that is to say, during the first three or four months of the year, a definite report presenting the total of operations for the preceding year and suggesting the investment of profits made during this period.²

discount of securities which become due after December 31. The total of complementary operations of this nature is currently called "the thirteenth month."

¹ The report of the Bank of France is submitted, in January of each year, to the stockholders, together with the determination of the dividend. (On January 30, 1908, for the operations of 1907.)

² [While Stourm points to the fact that it is possible to show conditions as they actually exist at any time, and also to give an accurate and up-to-date statement of operations for any expired period, he does not seem to see, or at least does not state wherein the essential difference lies between the French Government system of accounting by "fiscal periods" and the usual commercial practice of accounting by "administrative periods" or the "fiscal year." He seems to leave out of the picture the fact that the commercial practice is based on first setting up "accruals" and then making entries showing "cash receipts" and "cash disbursements" when revenues accrued are collected or liabilities incurred are paid. Thus, the first entry in the "assets" and "revenue" accounts is "taxes receivable (an asset account) debtor, to revenues—taxes" or what not. Then when taxes are collected, the entry shows only a change in the form of asset, viz.: "Cash debtor, to taxes receivable"—the "revenues—taxes" account showing the income accrued stands as originally made. So with transactions by which liabilities are incurred for expenses, the entry would be "expenses debtor to accounts payable." Then when the liability is paid "cash" is credited and the "accounts payable" correspondingly reduced. But the important fact is that by use of this method it is possible to show "operations" in terms of "revenues and expenses" and present financial condition in terms of "assets and liabilities" at the closing of any day's business. Then, if officers operate under the limitations of "funds" and "appropriations," collateral entries may be used to show the "funds" and "appropriations" affected, so that their condition may be just as promptly shown. The whole practice of accounting by "fiscal periods," as developed in France, has grown out of a method which does not admit of recording the initial steps in transactions as they occur. Therefore, they must wait till each transaction is consummated before stating the account.—The Editor.]

THE FISCAL PERIOD .

MIXED REFORM RECOMMENDED BY BARON LOUIS IN 1819

While emphasizing the merits of accounting by administrative periods, we would not dare to plead for its immediate introduction in France, as this would mean too abrupt a change. It is also possible that our parliamentary morals, less strict than those of our neighbors, would overcome with difficulty the temptations obviously offered at the end of the year of carrying forward items of expenditure and fraudulently anticipating revenues. On the other hand, it is impossible—from the point of view of methodical grouping of annual revenues and expenditures and from the point of view of the synthesis of the operations for each period—to overlook the superiority of accounting by fiscal periods.¹

The main objection to accounting by fiscal periods lies in the delay to which the accounts are subjected. If it were possible to shorten or to avoid this, only the advantages of the system would remain. The duration of the fiscal period has already been shortened by bringing up the date of its closing, as will be shown in Chapter XXVI. This, however, is not enough.

In 1819 Baron Louis outlined the program of a mixed procedure and this program might easily be revived.² This pro-

¹ [The foregoing seems further to indicate failure to grasp the essentials as set forth in the previous footnote. A system of accounts which shows both "assets and liabilities" and "operations," and where funds and appropriations also are used, the transactions affecting them and the condition of each is the best possible protection against the dangers which the author foresees. This provides for giving all the information and protection that is obtained after waiting months or years under the French system, and, at the same time, gives to the Executive and the representative body up-to-date information as a basis for judgment concerning matters of policy, and as a means of detecting and preventing misadministration.—The Editor.]

² Baron Louis, in spite of his denials, was a supporter of the substitution of the system of accounting by administrative periods for the system of accounting by fiscal periods. This is expressly indicated by the following: "The accounts intended for the Chambers and for the public would have less appearance of being complicated 'if they reduced themselves to one account' which would make the end of the year just expired coincide with the closing date of the budget for this year. Thus the account for one year would no longer be a mixed account by administrative periods and by fiscal periods, composed of fragments which must be collected subsequently in order to put together the statement of budgets to which they respectively belonged."

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Character
of Reform
Proposed

posal, quite similar to that adopted by Italy, would consist of the following: The moment the year is finished, the debit and credit entries of the public treasuries could be totaled and published, this forming a first return of immediate and positive statistical data, containing the majority of the operations carried out during the fiscal period and representing on the average 85 per cent. of the expenditures and 97 per cent. of the revenues.¹ The surplus would be estimated as "assets

(Statement relating to a definite regulation of the budgets from 1815 to 1818 by Baron Louis, Minister of Finance, February 15, 1819.)

Later, under the influence of violent attacks which were caused by this preference of his, Baron Louis extenuated his first ideas by suggesting a combination of the system of accounting by administrative periods with a system of accounting by fiscal periods. His plan consisted of submitting immediately to the Chambers an account by administrative periods which could easily be prepared without delay and which could serve as a temporary basis for the establishing of the future budget. Then, as soon as all the necessary elements could be collected, the complete and detailed account for the fiscal period, such as is done at the present time, would be published.

"The systems of accounting by administrative periods and fiscal periods," he said, "were the object of discussions in which, however, a compromise might easily be reached; it is impossible to give definite preference to one system over the other. Both systems are necessary and each has its own purpose." (Plan relating to regulation of budgets for 1815, 1816 and 1817 by Baron Louis, Minister of Finance, June 4, 1819.) "Accounting by fiscal periods," he says in another place, "has the object of presenting all the known facts relating to revenues and expenditures, comparing them with their estimates in the budget. This account, however, although very useful and quite sufficient for purposes of illustrating the course of the administration and determining its deliberations, does not possess rigorous exactness. The nature of things is opposed to it and for this reason we have in 1817 introduced in our finances the system of accounting by administrative periods. This account contains all the facts relating to revenues and expenditures collected and made between two fixed dates. This account makes the balances and shows them: the conformity of these balances with the cash on hand and in securities, does not admit of doubt as to the reality of the operations which the account in question described. Thus this account possesses an amount of certitude on which the public can depend. . . . This is not the case with accounts by fiscal periods . . . the account by administrative periods should, therefore, support the account by fiscal periods and make the latter distinct." (Speech of Baron Louis, May 29, 1819.)

¹ The report of the legislative commission in charge of examining the plan of M. George Cochery of March 26, 1887, relating to the reduction of the duration of the fiscal period, reproduces the following statistical data quoted from the general accounts of finances:

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ascertained" (*droits constatés*) to be charged against or credited to the Treasury. It is important to state in this connection that the general account of finances works in the same way, in order to prepare the account of the last fiscal period. For instance, the general account published at the beginning of 1913 officially states the situation of the fiscal period 1912 by adding to the actual collections and payments stopped on December 31, 1912, the balances to be collected and paid, existing at that date. Thus, the summary of the fiscal period for 1912 shows a sufficient, if not definite, exactness. The reason it is not definite is this, that the *droits constatés* of revenues and expenditures do not always transform themselves, as to totals, into actual collections and payments.

The Italian system of accounting opens a special account for balances, in order to follow in a precise manner the destinies of these "ascertained assets."¹ Would it be proper to imitate Italy and to import into our country these accounts of balances which seem open to some criticism? Or would it be preferable, from the point of view of definite auditing of the fiscal period, to stick to our custom, except for the innovation relating to the immediate publication of a statement of operations and results of the fiscal period just expired, as exhibited in the first return? This preliminary report on the expired fiscal period—prepared by the Minister of Finance and accompanied by his comments as well as those of disbursing ministers—if published in the first days of January (before the general accounts of finances, in which it is submerged, is published in a 1,000-page volume) would constitute a balance sheet [statement of revenues and expendi-

REVENUES			
Years	First year of the fiscal period Francs	Second year of the fiscal period Francs	Proportion of Op- erations during the second year
1883	2,968,600,000	70,000,000	2.30 per cent
1884	2,954,000,000	78,000,000	2.50 " "
1885	2,920,000,000	81,000,000	2.69 " "
EXPENDITURES			
1883	2,759,000,000	341,000,000	11 " "
1884	2,773,000,000	348,000,000	11 " "
1885	2,864,000,000	361,000,000	11 " "

The general accounts for 1906 and 1907 more or less confirm these ratios.

¹ See Chapter XXVI, 5.

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tures] for the fiscal period just closed. It would be a balance sheet made out under conditions warranting a sufficient exactness and capable, as has been said, of satisfying public opinion and serving as a guide to any legislator having in charge the preparation of future budgets. The particular merit of such a report would be its timeliness.

It would possess another not less important merit—it would prevent in large measure the possibility of abuses resulting from the overlapping of fiscal periods, of which we have spoken above. A table, showing the balances to be paid on December 31, if closed on that date under the inspection of comptrollers of incurred expenditures and published immediately, would not permit the disbursing ministers to modify the official results by subsequent manipulations.

But do we not satisfy ourselves with temporary arrangements when definite things are slow in materializing? Are not the figures of tax collectors published every month in the *Journal Officiel* as they are hurriedly transmitted by telegraph to the Minister? Are not the statements of the customs administration—relating to imports and exports, which commerce needs without delay—given out in monthly series and published “subject to correction”¹ only to be included later in columns of figures of a large yellow volume, verified and corrected, over which conscientious statisticians grow gray?

In the same way, the cash balance sheet made out in January and covering the year just expired (if completed by supplementary estimates of operations undertaken, but the transactions pertaining to which are still unliquidated, could well await the publication of a definite account for the fiscal year, which account could thus be minutely prepared and exact to the penny.²

In any case, unless we radically change our system and frankly adopt that of accounting by administrative periods, which may possibly turn out to be the necessary solution, there is no way to escape excessive delays and the abuses involved

¹ In the same way statistics of the production of coal mines, iron foundries, steel and iron mills, cereals, wines, etc., are published in the *Journal Officiel* with their temporary figures, as soon as the first facts are sufficiently known.

² We shall see in Chapter XXIX that the *Cour des Comptes* of Italy proceeds in the same way. In order to control the operations carried out by the ministries more quickly, this *Cour des Comptes* does not hesitate to pass its opinion on temporary results, the authenticity of which it deems sufficient.

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in the system of accounting by fiscal periods. The advancing of the closing date of fiscal periods by several months, as contemplated by the law of 1889, of which we shall speak, did not succeed in remedying the condition. In default of having a procedure authorizing preliminary reports, of which we have spoken above, it would be better to resolve to follow the example of England and of Italy, by introducing in France the system of accounting by administrative periods.¹

¹ M. Léon Say, in his great speech on the budget of 1891, after having replied that "the fiscal periods succeeded one another so rapidly that they were never liquidated," did not conceal his preference for accounting by administrative periods. "There is here a considerable reform, difficult to realize; to profit by it, it must be begun." (Oct. 2, 1890.)

CHAPTER VI

UNIVERSALITY AND SPECIALIZATION

[THE PRINCIPLES OF COMPREHENSIVENESS OF BUDGET PLAN AS AGAINST THE SPECIAL FUNDING OF DIFFERENT ACTIVITIES]

General Considerations: Qualities Which a Budget Should Possess; Simplification of Terms.

The Rule of Universality [Comprehensiveness of Plan] as It Has Developed in France: Definition of "Universality"; Efforts Made to Break the Rule; Struggles of Officers to Free Themselves from Budget Control; Under the Old Régime; Items Omitted; After the Revolution; Under the Consulate and Empire; The Royal Ordinance of 1817; 120,000,000 Expenditures Brought into Budget by Rule; The Rule of Comprehensiveness as Set Forth by the Ordinance of 1822; Application of Same Rule to Revenues from Expenditures; Extension of Principle to Sales; Should Not Be Carried to Extreme; Efforts to Break Down the Rule; Examples of Attempted Use of Properties and Proceeds Without Authority; Where the Use of Net Figures Is Justified; In General the Principle Should Be Adhered to.

The Principle of Universality as Applied to the Budgets of Countries Other Than France: The English Practice; The Practice in Germany; The Practice in Prussia; The Practice in Austria; Italian Practice; Russian Practice; Belgium Displays "Gross" Amounts.

The Merits of the Principle of Universality: Favorable to Economy; Makes for Clearness of Statement; Operates to Produce Unity of Budget Plan.

The Rule of Specialization [Special Funding] Opposed to the Rule of Universality: Operates Against the Principle of Unity; Prevents Comprehensiveness of Budget Statement; Knowledge of Special Undertakings Should Come Through Special Reports.

GENERAL CONSIDERATIONS

How is the budget prepared? Or, better still, let us subdivide the question: How should the budget be prepared? How is the budget actually prepared by various governments?

Let us first take up the theory and then its application.

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Qualities Which a Budget Should Possess: The qualities which a budget should possess cannot possibly be enumerated: frankness, clearness, unity, economy, equilibrium, etc.—the list would be almost interminable.¹

Simplification of Terms: It is necessary, therefore, to dwell only on the more essential of these qualities. In our opinion, two of them contain all the others:

1. The budgets must describe *in extenso* all the operations relating to revenues and expenditures, clearly and frankly.

¹ M. Léon Say, in his lecture at the Ecole des Sciences Politiques in 1884-1885, designated the following four qualities as the essential qualities of a budget: 1. the budget must have unity; 2. the budget must be annual; 3. the budget must be made in advance; 4. the budget must represent an accounting personality.

The unity of the budget, with which we are going to deal in this chapter, tends to include in one single total all the revenues on one side and all the expenditures on the other: "It is necessary," says M. Say, "to enclose a budget in a monument, the arrangement of which can easily be discerned and the outlines of which are apparent at a glance. Hence, the principle of unity."

The budget must be annual, in the sense that the legislative authorization for levying taxes and disbursing expenditures cannot go on indefinitely. "It is necessary that the contract be limited in its duration."

The budget, furthermore, must be made in advance. This means that no operation relating to either the revenues or the expenditures shall precede the authorization granted by the representatives of the nation. "The legislature would become responsible if the budget were set in operation prior to the legislatures granting the right. . . . It would be more convenient not to keep books at all; the most simple budget of revenues has always been that of 'the Wandering Jew.' To have a fund, say, of five sous, which is renewed constantly, would be the most convenient thing. Unfortunately, however, this is not the way things are run."

Finally, the budget must be an accounting personality, that is, a rational being with assets and liabilities: "The budget is voted as a birth certificate of a person whose destiny it is to move around during an entire year." (*Revue des Deux Mondes*, January 15, 1885.)

This scientific description of the qualities essential to a budget is necessary in this connection, because the exigencies of our work compel us to single out its elements. In this chapter we shall speak about the unity. In the preceding chapter, relating to the fiscal period, we have spoken about the accounting personality of the budget. In following chapters we shall speak about the preliminary and annual voting of the budget.

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2. The budgets must estimate revenues and expenditures as exactly [reliably] as possible. The first of the two rules is called universality [comprehensiveness]; the second one accuracy [reliability]. These two rules appear to include all the others. If a budget shall furnish a universal [comprehensive] list of revenues and expenditures for the coming fiscal period, and, if it shall add to every item of this list an estimate, as exact [reliable] as possible, such a budget would seem to fulfill its function to the fullest extent. From the point of view of the mechanics of the budget, nothing more could be demanded of those who prepared it.¹ Even this is demanding more than we generally realize, and this contention we shall prove later on.

THE RULE OF UNIVERSALITY [COMPREHENSIVENESS OF PLAN] AS IT HAS DEVELOPED IN FRANCE

Since "all public revenues and all public expenditures, without exception, must be sanctioned by the representatives of the country," it is necessary that each item of the revenues and of the expenditures included in the budget be given this necessary sanction. The principle of universality is the direct result of the [political] ideas to which the introduction of this book was devoted.

Definition
of "Uni-
versality,"
(Compre-
hensiveness
of Plan)

Universality can, therefore, be defined as follows: universality means budgetary entries of all expenditures on the one hand and of all revenues on the other, each in a distinct list.

Struggles
of Officers
to Free
Themselves
from Bud-
get Control

Efforts Made to Break the Rule: This principle would appear to have been sufficiently demonstrated by the laws proper of the constitutional régime, if it had not been for temptations to violate it, which temptations have in practice brought about a series of complicated protective formalities [procedures]. As a matter of fact, no one likes to see the revenues intended to benefit him submerged in the mass of other revenues. On the contrary, everyone tries to secure for himself some personal independent resource to form a certain small reserve for his own use. From this disposition have

¹ There is no doubt that the spirit of order and economy, desire for reform, etc., may inspire the framers of the budget more or less favorably. These, however, are moral and personal qualifications, and not technical qualifications inherent in the mechanism of the budget plan.

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come the eternal attempts on the part of administrators and governments to emancipate themselves from the rule of universality [comprehensiveness of budget plan]. We shall begin by considering the attempts directed against this rule in the past. Later, we shall see to what encroachments this rule is now exposed, and what obstacles the regulations oppose to them.

Under the old régime it can hardly be said that budget rules were violated, because, as a matter of fact, there were no budget rules in existence. If we consult the most celebrated budgetary document and the one which is relatively the most perfect in that period (viz.: the statement submitted to the king by Necker, in January, 1781), we shall find in this budget that the expenditures are estimated at 253,954,000 livres, while the real total of expenditures exceeded 520,000,000.¹ Large sums were concealed or suppressed, either through contraction or confusion.

Thus, the *fermes générales* deducted, without opposition, from their collections, the total of salaries paid to the *Parlement* of Paris, to the *Cour des Aides*, to the *Chambre des Comptes*, also a part of the perpetual and life annuities charged against the town hall and the reimbursements to the clergy, etc.—amounting in total to 77,573,000 livres. From the gross sum of 126,100,000 livres, which these *fermes générales* collected, they turned over to the Treasury only 48,427,000 livres net; 77,573,000 livres of expenditures paid directly remained invisible. The same was the case with the proceeds of general excise, of the administration of domains and with the collections made by receivers general.² In ac-

Under the
Old Régime

Items
Omitted

¹ The account submitted by Necker ended in the following figures: revenues, 264,154,000 livres; expenditures, 253,954,000 livres; excess of revenues, 10,200,000 livres.

² Taxes and duties collected by receivers general.

(Villain-tax, capitation-tax, twentieth-tax)	148,590,000 livres
Assigned charges	<u>29,050,000</u> “
Turned over to the Royal Treasury	119,540,000 “
The rough proceeds of the general excise adminis- tration	42,000,000 “
Assigned charges	<u>33,100,000</u> “
Balance turned over to the Royal Treasury	8,900,000 “

This procedure, carried to extreme, would have finally offset all the revenues by all the expenditures, which would have reduced the figure to be entered in the budget to zero, or even to less than zero, because in the end a deficit would have manifested itself.

THE BUDGET

cordance with this procedure—from which Necker, like his predecessors, was unable to emancipate himself—250,000,000 of expenditures from a total sum of about 520,000,000 in time disappeared from the accounts. Almost half of the budget was, so to speak, annulled by compensations.¹

All the financial tables of the old régime are vitiated by the same element of exclusion, though most writers accept them when they cite Forbonnais, Mallet or Mathon de la Cour.²

After the
Revolution

Under the Constitutional Assembly, the principle of comprehensiveness seemed to come into its rights; revenues and expenditures were counted by their gross totals. The budgets of this period, however, including the budgets of the Directory, had too little authority³ to be quoted as models. We arrive thus immediately at the beginning of the nineteenth century.

Under the
Consulate
and Empire

The budgets of the Consulate and of the Empire, in spite of many gaps and deficiencies, had the merit of regularly developing their revenues and their expenditures *in extenso*, no longer practicing the system of “contractions” which existed under the old régime; the system of “contractions” continued to affect only the expenditures for collecting the revenues; this abuse became rooted in this particular part of the budget and it was a hard task to dislodge it.⁴

Until the time of the Restoration, the net proceeds of taxes only appeared under the heading of revenues, the costs of collection having been either deducted or ignored. Each administration deducted the total of the costs from its revenues without accounting for these costs; legislative documents referred only to net amounts put at the disposal of the Treasury. It is necessary, therefore, to begin by increasing the

¹ When Necker, however, published his famous account, everybody exclaimed: “The veil which has hitherto concealed the true state of finances to the eyes of the country has been torn aside.”

The enthusiasm and the applause were universal. The public in those days was satisfied with little, because it might be doubted whether those who applauded with so much noise really saw so clearly when light was shed upon the financial situation.

² The last account of the old régime submitted by Lomenie de Brienne in March, 1788, further aggravated the system of compensations or contractions of revenues and expenditures.

³ See our history of *Finances de l'ancien régime et de la Revolution*, with regard to the budgets of the Revolution.

⁴ See *Les Finances du Consulat*.

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budgets of these periods by 80,100, or 120,000,000, according to the year, in order to compare them with present budgets.

Napoleon, however, while concealing from the legislative body the total of the costs of tax collections, did not deprive himself of this essential information. On the morrow of his coming into power, the order of 26th Prairial of the year XI formally prohibited the accountants from making any direct or hidden deductions from revenues for the purpose of paying expenditures. The minister, Barbé-Marbois, congratulated himself on this measure in the following terms:

“Henceforth,” he said, “all revenues shall be turned over to the Treasury without any deductions, and all expenditures will be made from the Treasury through the hands of disbursing agents. There is no longer any reason for a confusion between these two principal divisions of our operations. All revenues shall be received by one kind of officer, while all expenditures shall be paid out by another kind.” (Report of the Minister of the Treasury, to the Consuls, 25th Nivôse, Year XII.)

It would have been surprising had the precision of Bonaparte’s mind failed to organize for his own benefit a clear and methodical system of accounting. But it would have been still more surprising had he submitted such system of accounting to the scrutiny of the representatives of the country.

On the other hand, again, the fiscal administrations were not inclined to give up voluntarily this prerogative which made the fiscal officers the masters of their own appropriations.¹ Thus, in spite of the parliamentary régime coming into power, the budgets continued for several years after the downfall of the Empire to conceal the costs of tax collecting. The personal power of the financial administrations—which increased considerably with the developing of the tax system—aggravated the intensity of their resistance. It was hard to break the abusive power of these organized bodies, each of which had its own political director general, assisted by his own board, its own central cashier, its own accounting

¹ It is easy to imagine what struggles the old fiscal administrations had to go through in order to preserve this precious independence, if we compare their situation with that of the present fiscal administrations, which are obliged to bargain for their most indispensable appropriations with the commissions on budget.

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division, its own building and its own bureaus separated from the ministry of finance.¹ Following the example of the old *fermes générales*,² these excise officers considered themselves as charged with supplying the Treasury of the State with funds, provided the necessary costs of collections were deducted from the revenues.

The Royal
Ordinance
of 1817

The Royal Ordinance of March 26, 1817, did not hesitate to establish the following provision:

"Henceforth the cost of excise offices shall be regulated at the same time and in the same manner as are the other expenditures of the State. For this purpose, the gross proceeds of taxes shall be entered as a revenue in the annual budget and the costs of excise offices shall be included in the budget as an expenditure." (Article 3.)

The deputy reporting on the budget, in the commission on the budget, expressed himself as follows:

"Hitherto the budgets have presented only net proceeds. Would it not be important for you to know the nature and the purpose of these deductions which reduce the actual revenues by almost one-third of the total sum of the collections resulting from indirect taxes, and by one-seventh of the direct taxes? Should not the expendi-

¹ The Administration of Registration was located in No. 2, rue de Choiseul; the Administration of Forests at No. 23, rue Neuve-Saint-Augustin; the Administration of Customs occupied the ancient palace of the d'Uzès, rue Montmartre; the General Administration of Indirect Taxes was installed in the Marais, No. 24, rue Saint-Avoye in the ancient mansion of the Montmorency and in the mansion de la Tremoille; the Administration of Posts was located in the mansion Fleuriau d'Armenonville, rue Coq-Heron. During this time the ministry of finances was located in Nos. 40-42, rue Neuve-des-Petits-Champs, in the mansion Pontchartrain on the site since occupied by the Italian theater and the Bank of France. The Royal Treasury was located at Nos. 6 and 8 in the same rue des Petits-Champs.

The ordinance of November 4, 1824, of M. De Villèle united this administration in a large building which Napoleon started to construct in the Rue de Rivoli near the Place de la Concorde in order to locate the post office in this building. At the same time a uniform organization centralized in the hands of the Minister of Finance, the services of accounting, supplies, pensions and treasuries, which each branch of the service had managed separately.

² "All that is necessary is to reestablish the ancient table of the *Conseil des fermiers généraux*."

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tures of revenue administrations be approved as well as the general expenditures for which you are voting the appropriations?" (Report of Count Beugnot, on ways and means, March 23, 1818.)

As a result, the gross proceeds of taxes were finally shown in the budget of revenues and the total of the costs of their collection was shown in the budget of expenditures, which two budgets were included in the fiscal law of May 15, 1818; the totals of this budget were suddenly increased by 120,000,000.¹

120,000,000
Expendi-
ture Brought
Into Budget
by Rule

Henceforth, the costs of collection were shown without interruption in subsequent budgets,² in conformity with the

¹ The budget of the ministry of finance was increased from 27,000,000 in 1817 to 169,000,000 in 1818: an increase of 142,000,000 from one year to another. It is necessary, however, to deduct from this 142,000,000 the different expenditures which were newly entered in the budget and are not related to the costs of tax collection.

The latter show approximately (the exact figures do not as yet show clearly) the following figures:

Direct taxes	17,000,000 francs
Indirect taxes	104,000,000 "
Total	121,000,000 "

These 121,000,000 of costs, compared with a total of 832,000,000 of gross proceeds, give for the total a proportion of 14 per cent., distributed as follows: 4.60 per cent. for the direct taxes and 22 per cent. for the indirect taxes, including the purchase of materials for the monopolies of tobacco and of gunpowder.

² Let us mention, however, a few strange attempts inspired undoubtedly by political motives to return to the old condition of things: "Only net proceeds enter the Treasury; the latter only has charge of and is responsible for the net proceeds. On this form of procedure were based all our fiscal accounts, going back as far as the account submitted in 1715 by Desmarests, which was always considered as a model of order and clearness. The account published by M. Necker in 1781 and the accounts submitted by his successors were invariably prepared in accordance with this fundamental rule, which seems to be the only one compatible with the spirit of our institutions and with the principles of good accounting. The costs of the administration, the waste and the restitutions can never be included in the fiscal law without bringing disorder and confusion into accounting. Moreover, this system tends to abolish the responsibility of the minister and to turn over an important portion of the executive power into the hands of the legislative chambers." This reactionary plea did not essay, however, to draw its own logical conclusion; the individual who made the above report limited himself to expressing his hope that his remarks would not be made in vain and that "they may serve

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following provisions of the decrees of May 31, 1838, and of the year 1862, which are still in force: "A full receipt shall be made for the total of proceeds. The costs of collection and administration as well as other accessory costs shall be carried as an expenditure." (Article 16.)

The Rule
of Compre-
hensiveness
(Universal-
ity) as Set
Forth by
the Ordi-
nance of
1822

A short time later, de Villèle completed the aforesaid measure by the ordinance of September 14, 1822, the third article of which reads as follows: "The ministers shall not increase by any particular resources the total of appropriations allotted for the expenditures of their respective branches of the service." This article, which later became article 43 of the Decree of May 31, 1862, introduced with regard to expenditures the same principle of comprehensiveness which the law of 1818 introduced with regard to revenues.

Application
of Same
Rule to
Revenues
Derived
from Ex-
penditures

Almost all the ministers become, through the branches of service of their departments, either accidentally or permanently, the beneficiaries of certain revenues of which we shall speak later. These revenues, although originating within their departments proper, do not belong to them. They do not have the right to make these receipts their own; they must turn them over as an integral part of the budget of revenues. Just as the law of 1818 prohibits the concealing of an expenditure behind a revenue, the ordinance of 1822 prohibits the screening of a revenue by an expenditure. On both sides the description must be complete; all expenditures shall be entered on the page which is reserved for them and all revenues shall be entered on the opposite page. Regardless of the similarity of the origin and in spite of their relationship, the revenues and the expenditures shall henceforth occupy distinctly different places in the budget: "The ministers shall not increase by any particular resources the total of appropriations allotted for the expenditures of their respective branches of the service."

Various subsequent laws have applied this principle of inclusiveness or comprehensiveness to such branches of the service as have not hitherto observed it—for instance, the law of July 19, 1845, relating to "proceeds of the work performed by prisoners in the central penitentiaries." Until that time the central penitentiaries increased by the total of these proceeds the figure of their appropriations granted by

to amend the fiscal laws which shall be prepared in the future." (Report of Marquis de Garnier in the name of the Commission on Budgets of 1821, in the *Chambre des Pairs*, July 28, 1821.)

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the legislature in the ministry of the interior, in direct contradiction of the provisions of the ordinance of September 14, 1822. The law of July 19, 1845, ruled that "beginning with January 1, 1846, all the funds proceeding from the work performed by convicts and all of the funds which were allotted to central penitentiaries shall be turned over to the Treasury." As a result the budget has, from 1846 on, opened an entry among its varied revenues for the proceeds in question, which now amount to from 3,000,000 to 4,000,000.¹ Correlatively, a new entry among the expenditures recorded the fact of payment to convicts of the portion of the proceeds from their work, which belonged to them personally.²

The law of December 29, 1876, under analogous conditions included among the revenues the proceeds of fees collected by diplomatic and consular chanceries of the ministry of foreign affairs.³ The law of December 28, 1880, made the same provisions with regard to "the revenues of the French School in Rome in the budget of the ministry of fine arts."⁴ The decree of December 31, 1881, ruled, furthermore, that the accessory proceeds of the Treasury be entered separately without any compensation.

The legislature, since the laws and ordinances of 1818 and 1822, has made great efforts to extend the principle of comprehensiveness, which—except in the few cases hereinafter mentioned—predominates if it does not absolutely govern our budgets. We have, for instance, the proceeds from tobacco, matches and gunpowder integrally classified among the revenues and their costs among the expenditures; the

Extension
of Principle
to Sales

¹ Extract from the budget of revenues for 1908:
 Proceeds of labor of convicts in workhouses and
 of military convicts 373,000 francs
 Proceeds of central prisons and houses of correction 3,737,000 "
 Proceeds of labor of convicts transported to Guiana
 and New Caledonia 350,000 "

² The convicts receive from the proceeds of their work (weaving, carding of silk, shoe-making, hosiery-making, spinning, brush-making, etc.) the following: (1) a little money for their daily use, with which they may purchase articles of food, tobacco, etc., within the prison itself; (2) a certain reserve which is intended for their first needs upon their release from prison.

³ A revenue of 3,205,000 francs is entered among the sundry proceeds of the budget of 1913 as proceeds of consular and diplomatic chanceries.

⁴ The regular revenues of the *Académie de France* at Rome amount to 372,000 francs. (Budget of 1913.)

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revenues from forests—instead of benefiting the special administration which has charge of their maintenance and supervision—are entered among the mass of revenues; the proceeds resulting from the sale of government publications, from the business done by the archives of the Republic do not benefit the interested branches which receive all their appropriations from the budget of expenditures. The administrations do not even benefit from the proceeds resulting from the sale of their discarded furniture nor their old papers.¹ The total is turned over to the ministry of domains, which accounts for it directly to the Treasury.

The reason for this rigorous interpretation ² of the pro-

¹ The administration of indirect taxes in former times saved the parchment covers of its "bags" in order to use them right along. This administration, however, has had to give up this system of economy, which was contrary to the regulations. All bags are now supplied with a new cover, and the old covers are sold by weight.

² The application of the principle of all inclusiveness, in spite of its rigorouslyness, must avoid being extreme. Thus in 1818 at the time of the discussion of the law of May 16, a deputy demanded that the amounts turned over by the tobacco dealers be shown in their debit and credit entries. These amounts, said the deputy in question, should be entered as revenue, because they constitute a real contribution paid by the public as a result of the monopoly of tobacco. On the other hand, this amount should be entered as expenditures, because they form the salaries of the distributors of tobacco. (Speech of M. de Chauvelin, deputy, April 23, 1818.) The Director General of Indirect Taxes, M. de Barante, objected that it would not be possible to enter as a revenue something that was not received, nor to enter as an expenditure something that has not been actually disbursed. The 17,000 distributors of tobacco are not officers, but are rather "supervised debtors." The amounts of money paid to them do not have the character of salaries, but of commercial profits. "What I have said," he added, "does not tend to refuse the necessary information. Everything shall be explained in detail and submitted to the Chamber." As a matter of fact, the definite account of revenues mentions now every year, in form of memorandum, the amount of money allotted to the distributors of tobacco. The budget itself, however, continues to ignore them in its estimates, which are composed exclusively of the net proceeds of sales.

More recently the conclusion has been reached with regard to the costs of the Treasury, that it would not be proper to itemize on the debit and credit side of the budget the operations of the Treasury's running accounts with its various correspondents. These operations amount to 30 or 40 billions in receipts and to 30 or 40 billions in disbursements. Pushing the compliance with article 43 of the decree of May 31, 1862, to the extreme, would result in an absurdity. In this connection a net balance either on the debit or on the credit side is sufficient.

UNIVERSALITY AND SPECIALIZATION

visions of 1817 and 1822 can be better understood if one considers that the administrations would like nothing better than to be able to offset surreptitiously their revenues with their expenditures, because the temptation to get hold of resources originated within themselves, is still very strong among them. They would be glad to assert the right of deducting their expenditures from their revenues. Many exceptions, which we shall enumerate later, have been authorized. It is necessary, therefore, that the remaining rules be strictly observed and that constant control enforce respect for these rules. Let us speak now about this control, which tends to compel the budgetary services to turn over those funds which they fail to surrender voluntarily. The annual reports of the *Cour des Comptes* furnish instructive examples.

Should Not
Be Carried
to Extreme

On the subject of control, among infractions which were denounced most frequently—one of the greatest at least in former times—consisted in selling the old materials of arsenals, factories and workshops of Army and Navy for their own benefit. These establishments are, in fact, periodically encumbered with considerable quantities of useless materials, copper scrap, iron scrap, broken instruments, discarded utensils and waste of all kinds, which they must get rid of, and which represent considerable value; these establishments must turn such articles over to the administration of domains, which sells them for the benefit of the budget of revenues; this is the only proper procedure.¹ The workshops and

Certain revenues, however, for a long time used to offset the interest on the floating debt, such as the profits of funds carried forward, interest paid by the borrowers from the treasury of neighborhood roads and instruction establishments (see the discussion in the Chamber of Deputies on December 18, 1884) and other profits, are now shown in the chapter devoted to revenues by order.

¹ "An arsenal needs 100,000 kilograms of steel and has in its stores 200,000 kilograms of old iron; nothing seems to be simpler than to say to the founder: Take my old iron, I will take your steel and shall pay you the difference in price. This is all right, but how to control the officer who has charge of this direct transaction? He could make an agreement with the founder and defraud the State. The State does not want to be cheated; on the other hand, the officer does not want to be suspected. Therefore, underhand transactions are avoided and public sale at auction takes their place; this public sale at auction entirely covers the responsibility of the officers. There is a possibility of losing 15,000 or 20,000 francs through misstatement, millions of francs are lost in auctions, but the administrative principles are safeguarded." (Series of articles on the Navy, published by the daily, *Le Temps*, signed by M. Paul Bourde, 1888-1889.)

THE BUDGET

Efforts to
Break
Down the
Rule

Examples
of At-
tempted
Use of
Properties
and Pro-
ceeds
Without
Authority

arsenals, however, which do not benefit by such a procedure, invent all sorts of subterfuges in order to avoid such disposition. In most cases they themselves sell the old materials secretly; or, after transforming them, use them again,¹ or they include them secretly in the contract with a contractor who deducts their price from the bill, etc.² In times gone by, as we have said, the reports of the *Cour des Comptes* contained numerous discoveries of fraudulent practices. Has this abuse, manifesting itself less frequently of late, ceased to be practiced? Or, have better precautions been taken to conceal it? The following are examples, some of which are relatively recent; these examples are taken from annual reports submitted by the *Cour des Comptes* to the President of the Republic. The Minister of the Navy, when requested in 1876 to contribute toward the expenditures of erecting a monument dedicated to the memory of one of his predecessors,³ considered it a very economical step to contribute as his subscription, old condemned cannons and useless chains. The bronze of the cannons and of the chains weighed about 5,000 kilograms and was worth about 12,000 francs. The *Cour des Comptes* declared that the old cannons and the old chains should have been turned over to the administration of

¹ The transactions of "transformation," in which a contractor receives old materials, with an understanding that he has to restore them and use them again, are permitted exceptionally upon condition that the transformation shall apply exclusively "to materials of the same kind and intended to be used again for the need of this branch of service from which they came." This is the text of the circular note interpreting article 43 of the decree of May 31, 1862; the final paragraph of this note declares in the following terms that the provisions according to which the ministers shall not increase their appropriations by special resources "do not apply to materials which may have been used again for a duly justified need of this branch of service from which these materials originated."

² "I was able to ascertain," said one deputy, "that for the manufacturing of black silver (Tula work), where steel filings are sold every year for tens of thousands of francs, not a penny is turned in to the Treasury of the State. It is easy to verify this; it is enough to look over the record of the collector of domains who has charge of selling the discarded materials belonging to the State. Well, if you look over this record, you will not find a trace of one of these transactions." Later he speaks of "works which cost 140,000 francs, of which the ministry of war had no cognizance beyond an expenditure of 100,000 francs." (Speech of M. Borie, Deputy, Session of March 6, 1888.) The minister of war in reply promised to make serious inquiry and put an end to any such abuses.

³ M. de Chasseloup-Laubat, at Marennnes.

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domains, to be sold by the latter and the amount of the subscription for the monument should have been charged against the appropriation for the Navy; in a word, the proper procedure was not to proceed by way of compensation but by way of distinguishing the facts of revenue from the facts of expenditure.

The report of 1907, covering the fiscal period 1905, shows that 5,000 kilograms of old bronze coming from pieces of ordnance out of use were ceded gratuitously by the Minister of the Navy for the purpose of casting two monuments,¹ while the value of the metal should have entered the Treasury as a revenue. In his reply the Minister declared that a bill, already submitted, attempted to regulate cessions of that nature in the future.

In the same way the *Cour des Comptes* does not permit the timber cut in the gardens and parks of Rambouillet and of St. Cloud to be used in the interiors of the buildings nor for the personal use of the personnel. In spite of the opposition of the Minister of Fine Arts, the *Cour des Comptes* insists that the timber shall be sold by the administration of domains and that fuel be entirely paid for from the appropriations granted by the legislature.

The palace of the Legion of Honor, set on fire by the Commune, was rebuilt with funds collected by subscription from the members of the order. The grand chancellor of the order, a brave general, who knew more about fighting than about accounting, did not hesitate for a minute to apply the total of subscriptions which poured into his treasury directly to the operations of reconstruction, without having them pass through the budget.² In 1878, the attention of the Minister of Finance was called to this irregularity.³ Then, in 1881,

¹ Statue at Dupuy de Lôme; memorial to Doctor Rochard.

² Moneys collected through subscription for the purpose of rebuilding of the palace constituted "public funds" and as such from the first day on should have been entered among the revenues of the State. In the same way the expenditures for the construction became "public expenditures."

³ On February 5, 1878, the *Cour des Comptes* submitted to the Minister of Finance memoranda on the subject of this irregularity, and in conformity with the conclusion of the *Cour des Comptes* a special accountant was appointed by order of the Minister of Justice of March 1, 1878. The general inspection of finances, on the other hand, was put in charge of an inquiry in 1880, which inquiry had to go into the details of the work in the bureaus of the Legion of Honor proper.

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the necessity of an appropriation of 73,000 francs by the legislature for the purpose of completing the building brought the whole affair before the chambers which, while granting the demanded appropriation, insisted upon being informed of the details of the work. Upon request of the legislature, the inspection of finances continued the inquiry which it had begun in 1878; the *Cour des Comptes* got hold of the accounting end, and it was ascertained that the total expenditure reached the amount of 1,485,554 francs, of which 1,287,076 francs—resulting from the subscriptions of the members of the order—were entirely ignored in the budget.¹ If the *Cour des Comptes* and the inspection general had not intervened in time—in time, although everything was finished long before, but there was still time for the *Cour des Comptes* to act—the expenditures of the reconstruction of the palace of the Legion of Honor would have figured in the public documents at 73,000 francs, instead of 1,500,000, the actual figure. And then at some late date the antiquarians, examining official accounts, would discover to their amazement that such a beautiful building had cost so little.²

In order to reduce the expenditures involved in the organization of new regiments of cavalry, decided upon by the law of July 25, 1887, the Minister of War in 1888 ordered that the unserviceable mares placed with farmers should be sold. Animals to the number of 864 were thus disposed of at a price of 248,199 francs; this sum was, therefore, taken away from the control of the legislature. The *Cour des Comptes* insisted that the mares should have been turned over in the regulation way to the administration of domains, which would have turned over to the Treasury the proceeds of the sale by auction; the Minister of War should, on the other hand, have tried to obtain from the legislature the necessary additional

¹ Besides the proceeds from the subscriptions the Legion of Honor procured for itself a fund of about 100,000 francs by converting its 3 per cent. securities into 5 per cent. securities through a stock exchange operation in 1876.

² The grand chancellor of the Legion of Honor, who was declared to be actually responsible for the funds, was obliged to furnish a detailed account of the revenues and expenditures which were qualified as not clear. This account, after having been found correct, was definitely audited by a receipt in full of the 11th and 25th of May, 1885.

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appropriations.¹ Each year incidents of the same nature might be cited.

Recapitulating the above, the rules of the principle of inclusiveness or comprehensiveness prescribe that all the revenues of the State and all its expenditures be described and classified separately without reduction, confusion or compensation, so that the expenditures as well as the revenues shall be equally subject to the sanction and the control of the representatives of the country. This is the subject of articles 16 and 43 of the decree of May 31, 1862.

Unfortunately, these ancient rules²—the strict application of which the *Cour des Comptes* and the administration continue to observe—have had to withstand, by virtue of law and through tolerance in budgetary matters, various attempts at encroachment, which, let us hope, will continue to be exceptional.

Thus, the expenditures for colleges are entered in the budget only so far as the balance is concerned, that is, only with regard to the subsidies which the State allows them.

Where the
Use of Net
Figures is
Justified

¹ The report of the legislature relating to the law of regulation of the fiscal period 1888 (of March 18, 1892), which recalls the just criticism of the *Cour des Comptes*, admits in its conclusions extenuating circumstances in favor of the Minister of War.

² Few exceptions, however, have to be mentioned in the past. Thus in 1817 and in 1866 the balance of special budgets of the public debt and of the sinking fund was alone entered in the general budget.

The law of March 25, 1817, although the public credit began to be established on a solid base, deemed it necessary to provide as follows: "The net proceeds of the registration, the stamps, the domains and of the administrations of the post and lotteries are intended for the payment of interest of the perpetual debt and for the use of the sinking fund." (Chapter X, article 139.) The deputy reporting on the budget commented on this text as follows: "In order to make this specialization more tangible, the accountable officers who receive the proceeds in question cannot be absolved from responsibility unless by written acknowledgments of receipt issued by the institution which shall have charge of the debt. (Bank of France, or *Caisse des Dépôts*.) Moreover, there shall be prepared a distinct account of revenues and expenditures relating to the public debt and having the form of a 'separate budget.'" (*Report of Count Beugnot*, January 24, 1817.)

These provisions survived in theory until 1830. As the proceeds of specialized taxes have in progressing largely exceeded the amount of interest of the debt which they had to meet, the special budget deprived of all its significance disappeared quietly. In 1866 the law of July 11, 1866, passed under analogous conditions, and for the benefit of the sinking fund, a special budget, which ended in 1870.

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The reports of the legislature, however, eventually furnish in the annexed documents information as to the gross total of their expenditures and their revenues. Following an analogous sequence of ideas, the financial law of 1890 provided that the proceeds resulting from sales of materials turned over by the Navy to the administration of domains, should form a separate budget classified among the special services of the Treasury, thus giving a chance for the release of appropriations in proportion to the amounts realized. (Article 39 of the law of December 26, 1890.) As the opening of this special account caused justified protests,¹ the order for its closing was issued and its credit balance was used to reduce the deficits of the Treasury. (Law regulating the fiscal period 1892, article 18.)

The fiscal law of June 2, 1891, put into effect the deduction of one per cent. from the funds of wagers for the purpose of encouraging the horse industry—the amount of this reduction of one per cent., instead of being included in the list of revenues, increased by way of *fonds de concours*, the appropriations granted by the legislature to the ministry of agriculture. Under the pretext of insuring success in the competition against foreign collectors—and in order to protect our art treasures more effectively, to increase our collections of pictures, statues and art objects—the fiscal law of April 16, 1895, put into effect the old idea of “a treasury of museums.” Money is put aside for the benefit of the museums of the Louvre, of Versailles, of Saint-Germain and of the Luxembourg.

A law of February 27, 1911, granted financial autonomy to the bureau of information on foreign legislation and to the national bureau of navigation.

The National Superior School of Mining Engineers obtained, by virtue of the law of February 25, 1901, the privilege of a special budget; the agricultural pursuits of national schools of agriculture and of sheep farms designated by the minister have, in turn, obtained (law of March 30, 1902) a

¹ See especially the session of the senate of December 22, 1890: “This Article 39,” said M. Blavier, “is according to my opinion—the word is not too strong, although it is very energetic—a financial monstrosity. Because its object is to establish a special budget for the navy alongside of the general budget in contradiction with the constantly upheld principle of budgetary unity, which principle consists of permitting only one budget of the State to exist.

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special budget beginning with January 1, 1902. The appropriations of material for the Museum of Natural History shall henceforth be allotted to this establishment as subsidies, in order that they may be included in a special budget of which the said museums will have the administration by virtue of the fiscal law of 1908. The same law of December 31, 1907, grants an analogous autonomy to the National School of Arts and Crafts, etc.

How many others would like to imitate the aforesaid institutions and how many may some day succeed in doing it! This lucrative situation is very eagerly sought for. Commercial ports, canals, rivers, hospitals, penitentiaries, reformatories, publishing institutions, etc.—in a word, holders of direct or indirect revenues exercise their wits to be able to apply their own revenues to their own expenditures, each thinking only of himself, thinking that the horizon of his own branch is the horizon of the world, and not seeming to realize the very relative character of his importance. The principle of inclusiveness or comprehensiveness alone keeps these costly ambitions in their proper place; the officers responsible to the people who hold the power are able to maintain this principle quite firmly in its general outlines, in spite of concessions made from time to time. If they yielded to pressure the entire budget would soon transform itself into an aggregation of specialized branches of services. The posts, the telegraphs, telephones, tobacco, gunpowder, matches and excise administrations of all kinds, would become just so many independent personalities—for whom the budgetary accounting would record only the balances. We should fall backward over a fatal declivity to the plane of the old régime.

When Algiers began, in 1891, to claim a special budget of its own—which, by the way, was granted in 1900—the deputy who reported on the subject declared:

“We have struggled for half a century in order to obtain budgetary unity; all the ministers of finance have striven for that object; each year attempts are made to make this unity more or less complete. With budgetary unity we have acquired at the same time order in and control over the finances. Now, less than ever, should we permit this group of guarantees to become impaired.”

In General
the Principle
Should
Be Ad-
hered to

THE BUDGET

These are the principles which should be preserved at any cost.

Recapitulating the above: budgets, if they are to be clear and frank, must present their figures to the legislature for approval in such a manner that they will be all inclusive, and in such classification that each element of revenues and expenditures shall be set forth.

THE PRINCIPLE OF UNIVERSALITY [COMPREHENSIVENESS OF PLAN] AS APPLIED TO THE BUDGETS OF ENGLAND, PRUSSIA, BELGIUM AND ITALY

The English Parliament in 1848 adopted a rule in effect as follows: "Resolved, That the revenues cannot be efficiently administered if the total amount of taxes and other sources of public revenues are not turned over to the Treasury or credited to the latter."¹ (May 30, 1848.)

The English Practice

In 1856, this measure was completely established, and the total of revenues and the cost of collecting the taxes appeared on the budget, so that it might be brought under the control of the House of Commons. This innovation resulted in the same phenomenon of increases in the fiscal statistics of England, as it did in France after 1818. Beginning with 1856, there is an unexpected increase of £4,500,000 (112,500,000 francs), which must be kept in mind when making comparisons.

Not only does the English budget show the costs of collecting revenues, but it also records with minute detail the smallest revenues realized in the various branches of administration. There appears among "miscellaneous revenues" the following items: sale of objects and materials discarded by the ministries; proceeds of work performed by convicts; sale of museum catalogues (British Museum, National Gallery); proceeds of admission fees to the National Gallery, to the British Museum, to the South Kensington Museum, to the Bethnal Green Museum, to the Tower of London, etc.; proceeds of the sales of old materials coming from royal palaces, public buildings, houses of parliament, buildings of administrations, museums, etc.; "conscience money" or anonymous restitutions; proceeds from the sales of books, papers, cards, supplies, etc., of the stationery office, etc.²

¹ Sir Thomas Erskine May, *Constitutional History of England*.

² The "finance account" contains about 100 different items of these

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The proceeds of domains (woods, forests and land revenues of the crown)—no doubt shown at length in the volume of "finance accounts" in gross revenues and expenditures—are not included in the budget except with their net balance. In the same way the discounts, refunds and restitutions deducted *ex officio* from the gross revenues resulting from taxes are set forth. In an article, Sir Stafford Northcote, commenting on the finances of England, says: "*Almost* the entire gross proceeds are actually entered in the budget." This word "almost" used by him refers to the expenditures of which we have just spoken, which were deducted from the revenues in a sum of almost 60,000,000 francs. Outside of this, the principle of "comprehensiveness" dominates in the system of English accounting.

Germany, until recently, did not enter the gross cost of administration of posts and telegraphs in its budgets—only the net proceeds. Thus, in 1899-1900, the *Reichstag* entered only 60,000,000 of francs of revenues in the item of posts and telegraphs, although this service actually brought in between 450,000,000 and 500,000,000.¹

The Prac-
tice in
Germany

Now that the budget of the German Empire has discontinued the practice of deducting the expenditures of posts and telegraphs from their revenues—entering the gross figures in the estimates for 1912-1913—they reach the amount of 977,000,000 francs, while the expenditures entered on the opposite page are estimated in the same budget at 765,000,000 francs. An annexed statement shows the estimated net proceeds to be 212,000,000, without remarking 27,000,000 of extraordinary expenditures.

The budget of the German Empire abstains also from compensating the "repartitions" which the Empire turns back to the federal states of Germany (repartitions resulting from taxes levied in the name of the German Confederation in the territories of the federal states), together with the matriculate contributions which the Empire receives from these federal states. Political reasons are coupled with reasons of accounting in order to uphold the universality of the description, whereby the German Empire insists on expressing its

"miscellaneous revenues," which are of little importance, some of them amounting to only a few pounds.

¹ These various examples prove how necessary it is to know the exact texture of foreign budgets before comparing them with our own.

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relations with the federal states in figures. This is done in order to show, on the one hand, that the "repartitions" constitute some sort of gift of suzerainty and, on the other hand, the matriculate contributions imply the idea of a subsidy of vassalage.

The Practice in Prussia

Strictly speaking, Prussia would seem justified in rendering only the net accounts of its numerous [public] industrial enterprises. Prussia, however, states in its budget the total of revenues and expenditures of its railroads,¹ forests, mines, factories, salt works, collieries, bathing establishments, agricultural domains, etc. Thus, while on the net basis only 525,000,000 francs were shown in 1912-1913, the gross proceeds were 3,200,000,000 francs. The railroads alone show gross proceeds in the budget of 1912-1913 amounting to 2,914,000,000, while an annexed table estimates their net return at only 284,000,000 francs—after deducting all their expenditures including interest, the amortization of their debts and the pensions of employees.

The Practice in Austria

In Austria, the estimate of the budget for Cisleithania—through its proposer, Mr. Dunajewski, the Minister of Finance in 1890—explained that if the revenues and expenditures appeared to be increased by about 20,000,000 florins it was because for the first time an attempt had been made to introduce, in accordance with the rules of accounting, entries of the gross operations of the railroads managed by the State for the account of private companies.

Italian Practice

Italy, pursuant to its new accounting law, has introduced the budgetary principle of "totality" or gross revenues under whatever title it might be. (Article 43, of the law of February 16, 1884.) The budgets of Italy conform to this principle.

Russian Practice

The budgets of Russia also distinguish and set forth in great detail revenues and expenditures.

¹ The principle of universality with regard to railroads in Prussia has manifested itself successively. In 1885 the Minister of Finance expressed himself as follows: "Certain lines of railroads, which in the preceding budget for 1884-1885 were entered only with their net proceeds, in accordance with the principles of our public accounting system, have been entered both for revenues and expenditures with their gross figures in the budget for 1885-1886." (Statement of Mr. von Scholz, Minister of Finance, January 19, 1885.) By virtue of this decision 116,000,000 francs of revenues and expenditures of railroads, which until then had not been subordinated to the general rule, were included in the latter.

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Belgium, like Prussia, shows the operations of its railroads and other utilities in gross and *in extenso*. The Belgian budget enters as gross revenues the estimated proceeds from railroads, telegraphs, telephones, posts and steamship-service of Ostend, listing the corresponding expenditures in another part of the budget. The revenues raised for the municipalities—although the Treasury collects them only to turn them over—swell the budgetary totals and are treated separately as a “special budget of revenues and expenditures,” which has for its purpose showing “the funds of third parties and private individuals which the Treasury collects and reimburses.” (Article 24 of the law of May 15, 1846.) Outside of the operations of municipal funds, this budget *pour ordre*, also under the regulations, shows the debit and credit entries of savings banks, *consignations*, etc.

Belgium
Displays
“Gross”
Amounts

The simple fact of its observation in all countries, with a few exceptions, would seem to be sufficient justification for the principle of universality.

THE MERITS OF THE PRINCIPLE OF UNIVERSALITY [COMPREHENSIVENESS OF PLAN]

It seems desirable, however, to specify the merits of the principle. In our opinion they are summed up in two words: economy and clearness.

Economy undoubtedly depends more on the good will of those who have the power in their hands, than on the use of a system of accounting; no procedure can, properly speaking, automatically bring about economy. Clever precautions, however, can warn a legislator against impulsive action and wise regulations can protect him from temptation. If it has been proven, for instance, as we have done, that the bringing of revenues and expenditures too closely together favors abuses, the system which avoids this dangerous proximity will bring about results of economy in the budget.

Favorable
to Economy

When the financial administrations, prior to 1818, helped themselves at will to the revenues in order to pay their expenditures, the rate of the cost of tax collection reached an exorbitant level. A report prepared in 1830 by Chabrol, Minister of Finance, stated that from the day when the reform classifying the cost of tax collection as public expenditures was introduced, the amount of this cost decreased considerably.

THE BUDGET

Makes for
Clearness
of State-
ment

The second advantage of the principle of universality is clearness: there can be no more compensations [offsetting balances], extenuations, concealing of revenues by expenditures or expenditures by revenues; as a result thereof, there are no more dark corners, no more lurking places where suspicious operations can hide. M. di Rudini, Prime Minister, said on November 9, 1891, at Milan: "Permit me, gentlemen, to declare and to repeat expressly that the deficit shall no longer skulk in these famous 'lurking places' which were so opportunely denounced. The excesses or the deficits of our budget shall be shown by a single figure."

All the revenues and all the expenditures being described and entered separately, the adding of each column sums up the budgetary situation. The budget, a separate one for revenues and a separate one for expenditures, still remains the same in its conclusion: balance, surplus or deficit. M. Léon Say says: "The principle of unity is the principle of clearness. Nobody can know his financial situation unless he considers it in its totality." Unity produces clearness by the simple fact of its simplicity.¹

Operates
to Produce
Unity of
Budget
Plan

"Unity of the budget consists in not making separate accounts, in not attaching to the large budget some small budget of this or that branch of the service which has an accounting of its own. . . . Unity consists in not dividing the administration into five, six, ten or thirty branches: a branch of posts and telegraphs, a branch of tobacco, a branch of railroads, a branch of this or that ministerial administration.

"There is no unity of the budget, if it is not possible to make all the revenues enter into one treasury and to make the money for all the expenditures come out of the same one big common fund. There is no unity of the budget, if it is not possible to handle all the appropriations allotted by the Chambers under the same conditions with regard to justification, annulment and carrying forward." (Quotation from a letter of M. Léon Say on the subject of the budget of 1891. *Journal des Débats*, October 7, 1890.)

¹ On the subject of the unity of the budget consult also the speech of M. Boulanger, in the Senate, on the occasion of the plan to make a special budget for Algiers. (Session of March 2, 1891.)

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THE RULE OF SPECIALIZATION [SPECIAL FUNDING] OPPOSED TO THE RULE OF UNIVERSALITY [COMPREHENSIVENESS OF FINANCIAL PLAN]

Opposed to the rule of comprehensiveness is that of special funding; it is necessary, at once, to define the word, which at first appears to be strange. Special funding consists "in isolating each branch of service by separating from the mass of budgetary operations the revenues and expenditures relating to the branch in question."

Operates
Against
the Principle of
Unity

It is, therefore, just the opposite of the principle of comprehensiveness which, as we have said, means grouping all the revenues of the budget on one page and all the expenditures on another. In case of special funding, however, each branch of service segregates the results of its own work in order to show separately its own profits or deficits. The sponsors for this procedure claim that this rational and businesslike juxtaposition of elements which are intended to complete each other, alone can develop in the administrations a sentiment of responsibility, lending them encouragement; the public powers, on the other hand, are thus enabled, by knowing the cause, to appreciate the results obtained within each branch of the service; these advantages seem to be excluded from the other system.

Prevents
Comprehensiveness
of Budget
Statement

Already the examples which have been cited in connection with the subject of the state domains, forests, army and navy arsenals, houses of detention, maps and plans, etc., permit the conception of the importance of the supporting arguments set forth in favor of the system of specialization. We admit at once the correctness of these supporting arguments.

As far as state forests, cattle shelters, sheep farms, gardening establishments, industrial establishments, posts and telegraphs, canals, rivers, railroads, commercial ports, etc., are concerned, the legislature and the public and even the administration itself, have an interest in being able to discover at a glance their definite situation, to find immediately the positive criterion of the usefulness of their operations: the excess of revenues or the deficit.

Knowledge
of Special
Undertakings
Should
Come
Through
Special
Reports

But with whom does the duty to furnish such information rest? Does it rest with the budget? Certainly not. We do not need to insist on what we have amply demonstrated that the idea of the budget is incompatible with a system of spe-

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cialization. It is, therefore, necessary to look for this information outside of the budget.

In order to obtain this, it would be sufficient to demand that each administration shall publish annually an explanatory report of its management, an account of which is absolutely necessary from all points of view. In many countries, particularly in England, these annual reports form an obligation which is imposed upon the different branches of the service. On a few pages, within limits set forth in advance, these branches of the service analyze the figures entered in the budgets, compare the expenditures with the correlating revenues and describe, just as an industrial establishment would do, the net results of their work. So far as the majority of public administrations is concerned, these net results could only be obtained through questionable statements, requiring commentaries and assumptions; a report only could show them.

Then, the statistical tables of all kinds ¹ complete and comment on these results contained in the above cited reports.

In the same way, the budget of Prussia, after having first presented the total of revenues and the total of expenditures in the text of the bill proper—as is done in France—undertakes in its second part, which is not submitted to vote, clearly to specialize each of the previously described industrial administrations. There lies the field for rational specialization, justly acclaimed: it is lacking in France. Its place, however, we repeat, and the fact seems to be proven, is not within the budget of the State.

¹ See in Chapter XXX the quotation from different reports of the Commissaries of Internal Revenues, Commissaries of the Customs Administration, Director General of Posts, etc.

CHAPTER VII

BUDGETARY ESTIMATES OF REVENUES AND EXPENDITURES

Need for an Accurate Basis for Forecasting: Two Qualities Required in Preparation of Estimates; Temptation to Swell Revenues and Understate Expenditures.

Methods of Estimating Revenues: The Automatic [Averaging] System; Accepting the "Penultimate Year"; The Principle Only Partially Applied; Correcting Estimates Made by the Automatic Method.

System of [Estimating] Increases: Rapid Increases Break Down Old Rule; A Swinging Back of the Pendulum; Brief Application of the Old Rule; Return of a Period of Rapid Increases; Vicious Legislative Practices Resulting; The Reform of 1883; The Average Increases of Five Years Added; Initiative Shifted to the Executive; Difficulties Encountered with Another Period of Decreases; Final Return to the Old Rule.

The System of Direct Estimating: Methods of Estimating Revenues in Other Countries; English Estimates Based on Known Present Conditions; Close Approximates to the Actual; Practice in the United States; The Experience of Prussia and Germany; The Practice in Italy; The Practice in Belgium; Possibility of Changing French Practice.

Methods of Estimating Expenditures: Characteristics of Expenditure—Estimates and Authorizations; Definition of the term "Appropriation": Provisions of Law; Author's Definition; Rules Governing Estimates for Appropriations: Two Main Considerations; Care Must Be Exercised in Preparation of Supporting Details; Review by Minister Must Be Thorough; Conditions to Be Attached to Appropriations: Estimated Appropriations; For Compensation to Revenue Officers on Sliding Scale; Premiums for Deep Sea Fishing; Other Estimated Appropriations; Limited Appropriations; Definition of "Limited" and "Estimated" Appropriations; Significance of These Terms in Controlling the Execution of Authorizations: Tendency to Understate "Estimated Appropriations"; Need for Great Care in Review of These; Protests Against Practice; Tendency to Overstate "Limited Appropriations"; Rules to Prevent Misrepresentation of Needs; Prescriptions as to Method of Estimating.

Value of Placing Responsibility in the Executive: Economy Can Come Only Through Administration; French Distrust of Executive.

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The first rule of budget-making is that of comprehensiveness or completeness in entering all revenues and expenditures. The second is that there should be an accurate basis for forecasting. Every estimate of revenues and every estimate of expenditures should be based on figures as exact as possible. It is only when these requirements are met that the budget will serve its purpose.

The necessity of making estimates does not need to be demonstrated. The total of appropriations [requested] must be submitted in figures to the representatives of the country who must vote on them; furthermore, an estimate is necessary in order that expenditures be balanced with revenues, which is the *raison d'être* of the budget.

Need of an Accurate Basis for Forecasting: But, as estimates possess no value unless they are based on accurate data, the word *accurate* becomes paramount in this connection and the present chapter will be devoted to emphasizing its importance.

Two
Qualities
Required in
Preparation
of Estimates

Correct estimates demand two primary qualities: wisdom and sincerity. Wisdom enables those engaged in preparing the budget to see the future clearly—as clearly as possible; sincerity compels them to state the truth when they have ascertained it. These two qualities go hand in hand. What is the use of being sincere if one is not sagacious; and of what value is wisdom if, through lack of sincerity, the light be hid under a bushel? Which is better, not to see the truth or not to tell the truth—to deceive or to be deceived? Let us repeat, that the combination of these two qualities alone leads to correct estimates.

Sagacity is a gift of mind which is improved by experience.¹ Let us hope that those who prepare the budget have this gift, because no regulation can equip them with it.

On the other hand, sincerity, strictly speaking, can be achieved under effective regulations which are the more necessary when the temptation to insincerity is strong—fortunately there is no such thing as irresistible temptation—at least strong enough to be feared.

¹ Financial sagacity is increased by the study of examples furnished by history, some of which should be followed, while others should be avoided. Even when one has made wrong estimates, he should profit by his own errors. This is what is called experience; but one should not spend his entire life in acquiring it.

ESTIMATES OF REVENUES AND EXPENDITURES

The equilibrium of the budget being the problem of the fiscal law, attempts are only too often made to solve it in accordance with individual wishes through juggling the figures, which is all too easily done. The hand of the minister of finance must tremble when, arriving at the foot of the last page of the estimates, he puts down the totals. The fate of his fiscal combinations, his own fate, perhaps, depends on the addition which is thus made. If the column of expenditures is the longer, a deficit with all its consequences results. If, on the contrary, the column of revenues is the longer, then ensues a surplus which means success. Hence, a terrible temptation besets the minister to swell the revenues and to reduce the expenditures. In order to achieve that result, it suffices when revising the first estimates to arrange them in conformity with his intentions until the total yields the desired result. Moreover, voluntary or involuntary illusions play their part and hide from the eyes of the public and particularly from the eyes of the author of the budget the unworthy side of these misrepresentations.¹

Temptation
to Swell
Revenues
and Under-
state Ex-
penditures

In France, therefore, where there is no hesitation to question either the sagacity or the sincerity of those who prepare the budget, it was deemed necessary to organize a so-called "automatic" system for the revenues, which leaves as little as possible to the discretion of those who prepare the budget.

METHODS OF ESTIMATING REVENUES

The automatic system is the first of the three systems which can be used for estimating revenues² and which we shall examine in succession:

¹ Such an attempt to swell the revenues in order to round out the budget is exemplified by the interesting declaration of a senator, formerly director general of registration, on the subject of the income tax: "The budgetary estimates of the law of 1880 were officially put down with 3,257,000 francs, but they have been increased to the present figure because of the needs of the cause. The estimates of administration did not exceed 1,500,000. The reason why they were increased to 3,257,000 francs was that it was felt necessary to bring about an equilibrium of the budget (general hilarity). I vouch for that fact, which is supported by official documents. I do not say anything which should cause great surprise. More than once in the last moment when there is trouble about establishing the equilibrium, the revenues are increased. This happened also to revenues from customs: This is what happened in 1880 with the income tax." (Speech of Senator Boulanger, April 9, 1895.)

² A complete study of the procedures of estimating revenues should

THE BUDGET

1. The automatic [averaging] system.
2. The system of [estimating] increases [and decreases].
3. The system of direct valuation [estimating *de novo* each year].

Accepting
the "Pen-
ultimate
Year"

The Automatic [Averaging] System: The automatic system is one of the "penultimate year"; it consists purely and simply of entering as the probable return of the coming fiscal period the actual results of the last known fiscal period. In this case facts developed during the most recent period of twelve months, which precedes the time of preparing the budget, serve as a definite basis for the estimates of the budget.

This procedure puts those who prepare the budget on the ground over which they have been before; it assigns to them the past as the exact model for the future and suggests to them that they enter as estimates the very figures of collections which were previously realized. The statements of ministers describe the system actually in force in the following way:

"The indirect taxes and revenues for 1890 were calculated on the basis of actual collections made in 1888, as they were published in the *Journal Officiel* of February 7, 1889. The fact, however, of the increase of the proceeds, due to the year (1888) being a leap year, has been taken into consideration."¹ (Statement of February 9, 1889.)

"The results of the fiscal period of 1894 should, as far as the proceeds from the administration of registry-dues, customs, indirect taxes and posts, serve as a basis for the valuation of revenues to be estimated for 1896. . . . It is proper, therefore, to observe the regular rule and to accept as a basis for the proceeds of 1896 the known re-

begin with the subject from the point of view of imposing taxes, then from the point of view of the changes of rates, and finally, by studying the estimates of the annual budget proceeds. But on account of fear of prolonging and interrupting the sequence of our statement, we shall speak only of a yearly estimate.

On the subject of "tax reduction" see the very scientific article on M. de Foville in the *Dictionnaire des finances*.

¹ The day of February 29 in leap years represents 7,000,000 in indirect taxes.

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sults of 1894." (Statement of supporting arguments for the budget of 1896.)

The statement of supporting arguments for the budget of 1897 adds:

"We have taken particular care not to infract the rule which shall serve as a basis for the estimate of revenues and by virtue of which the resources for the fiscal period 1897 were calculated in accordance with the collections of the penultimate year. . . ."

Each year the following phrase is faithfully repeated:

"Could we, in order to insure the equilibrium of the budget, suggest to you to give up the rule of the penultimate year, the rigorous application of which has given such fortunate results during the last few years? There is so much less reason to think about that because . . ."

This is the principle, the strict application of which every minister of finance and every commission on budget deems it a point of honor to proclaim annually in order to shield their sincerity from any possible suspicion. It is, as we have said, an automatic procedure because it does not require any intellectual effort in estimating: the figures of the last known year¹ are simply and verbally reproduced both as to their totals and as to their details.²

¹ The rule called "The rule of the penultimate year" when applied strictly requires that the proceeds of this penultimate year be considered as the irrevocable basis for the estimates, even if a later period of the twelve complete months which expired before the budget was voted on furnishes different results. Thus in December, 1890, at the time when the budget for 1891 was to be voted, it was ascertained that the last twelve months then known yielded 7,000,000 more than the penultimate year 1889, which was taken as the primary basis. The chamber did not resist the temptation to take this 7,000,000 into its calculations. The commissions of the budget, however, admitted it only under protest by declaring that the rule in existence did not warrant the entry of such a surplus and that the entire transaction could not be made unless it were declared absolutely exceptional. (Report of the Deputy Burdeau, on the budget for 1891, December 6, 1890.)

² The government and the commissions have often insisted upon maintaining certain partial figures, the preserving of which for a

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The Principle Only Partially Applied

We have to note in this connection, however, that only indirect taxes, monopolies and domains are submitted to the rule of the penultimate year. If we have generalized until now, it is because these classes of proceeds represent the bulk of the revenues of the budget and their fluctuations might particularly be suspected of favoring abuses.¹

Correcting Estimates Made by the Automatic Method

"Direct valuation" [estimating]² is used for direct taxes, the annual proceeds of which vary but little without sudden drops, particularly if these direct taxes are assessed according to varying methods of taxation:³ or, if they are ordinary revenues, the direct valuation consists of correctly and directly estimating their proceeds in accordance with the most convincing indications as we shall see done in foreign countries.

With regard to indirect taxes and monopolies which are subject to the automatic system, the Minister of Finance makes corrections in the returns of the penultimate year by reason of innovations and exceptional events⁴ affecting the

future fiscal period was manifestly improbable, under the pretext that the theory of the automatic system requires the bases of the penultimate year to be adopted in their totality.

¹ The indirect taxes and the monopolies, the proceeds of which fluctuate continually, are, as a matter of fact, the only ones upon which the system of automatic estimating bears. "The proceeds which are estimated on the basis of the results of the penultimate year are the following: registration, stamps, taxes on stock exchange operations, the 4 per cent. tax, custom duties, indirect taxes, sugar, monopolies and domains." (Statement of the budget for 1913.)

² The legislative reports divide the revenues into three classes, according to the methods of estimating which were used:

1. Estimates established in accordance with an automatic system. This is the gross portion of the budget of revenues containing indirect taxes, monopolies, domains or 80 per cent. of the total of the budget.

2. Estimates established in accordance with the system of direct valuation, containing direct taxes, various revenues, revenues for order, etc., or 20 per cent. of the total of the budget.

3. Estimates of revenues which have to undergo special changes by virtue of new laws or measures which are liable to influence the collections.

³ The direct taxes to be distributed are influenced in their annual proceeds only by the movement of new construction and demolitions, of revenues and expenditures of public domains.

⁴ What are called "exceptional facts" often seem to be defined very arbitrarily. Thus with regard to taxes on corn, the value of the crop from the day when it became known should form an exceptional fact liable to change the estimates. It does not seem to be legitimate procedure to maintain in a year of good crops the figure of importa-

ESTIMATES OF REVENUES AND EXPENDITURES

future fiscal period, such as imposing of new taxes, changing of rates, new measures, leap year, etc.¹

Thus, the budget for 1896, while copying the figures of 1894, increases them by 25,000,000 in anticipation of the reform of the inheritance tax, by 15,000,000 on account of the proposed increase of the stamp tax on foreign securities, by 1,200,000 francs as a result of measures outlined with regard to the tax on playing cards, etc. In the same way, the budget for 1906 takes into consideration the effects of the law of April 22, 1905, which increases the tax rate on real estate sales to 7 per cent. and reduces the stamp tax, which worked out in the one case an increase of 3,900,000 francs, and in the other a decrease of 4,150,000 francs. The budget for 1908 proceeds in the same way with regard to the stamp tax on foreign securities, tax (duty) on vermouths, cordials and absinthes.

For 1913, analogous corrections refer to taxes on exchanges for a consideration, inheritances, stamp taxes, etc., because of new provisions suggested with regard to them.

But, aside from these necessary corrections, the automatic system leaves nothing to discretion or to the sagacity on which we insisted in the beginning: in the automatic system the results of the penultimate year constitute the only basis for the estimates for the year to come.

This system did not always exist in France. It was inaugurated under the Restoration, but not at its beginning, because the basis of previous years was lacking the necessary

tion dues realized in a year of bad crops. See on the subject the reports and discussions of the fiscal laws for 1895, 1896, 1899, 1900, 1906 and 1913.

See particularly the report of the commission on budget for the budget for 1899 (by M. Pelletan, December 24, 1898), which reduced the government estimates of the proceeds of custom duties, although established in accordance with the rules of the penultimate year, that is, in conformity with the results of 1898, because the return of this year has been an exceptional one. See also the statement of supporting arguments of 1913, which shows a reduction by 145,760,000 francs of the abnormal customs receipts for the year 1911.

¹ In the budget for 1889, however, through a deviation from the regular course, the surplus values which were anticipated from the general exhibition were entered among the exceptional revenues to the amount of 12,500,000 francs. In the budget for 1900 the Minister of Finance ignored these exceptional revenues at first. Then pressed by the commission, he finally consented to enter them in the budget to the amount of 20,000,000.

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definiteness; it was established ¹ in 1823 by M. de Villèle who, for the first time, issued this new rule.²

Beginning with 1823 until the end of the Restoration and then during the existence of the government of July, this rule, made supreme in France, was infringed only temporarily. It survived the Revolution of 1848 until, in the beginning of the Second Empire, various changes began to alter its course.

Rapid In-
creases
Break
Down Old
Rule

System of [Estimating] Increases: After 1852, when the increases from indirect taxes became very rapid and began to rise by leaps of from 40 to 50,000,000 each year, the temptation to anticipate such surpluses very naturally came to those who prepared the budget. Why should these supplementary returns, the materializing of which is certain, be ignored in the estimates of revenues, they argued?

“The old system of procedure [reference is made to the system inaugurated under the Restoration] has advantages which we do not deny. But it has the disadvantage of attributing to the revenues a value which is always inferior to the actual, and it necessitates the estimating of expenditures at a rate which is also known to be far below the actual level. From this results the very grave inconvenience of having a reserve budget alongside of the admitted budget.” (Report of the commission on budget for the year 1855, prepared by M. de Richemond, May 16, 1854.)

The budgets for the fiscal periods 1853, 1854 and 1855 were therefore increased in their estimates by fifty, forty-two

¹ Not until 1823 did the Restoration definitely discontinue the *douzièmes provisoires*.

² In the beginning the annual fiscal proceeds executed a fluctuating movement rather downward than upward. As soon as their progress was definitely headed upwards, M. de Villèle thought that, without being bold, he could expect for 1823 the same results as were realized in 1821. He constructed then, and submitted to vote, the budget of revenues for 1823 in conformity with the results which were realized in 1821. Hereafter is given a quotation from his “statement of supporting arguments” of the budget for 1823, in which he manifested his intention of establishing the new rule: “The progressive increase of the proceeds of certain taxes seems to indicate as the most probable basis of estimating for the year 1823 the reality of the proceeds during 1821, which was the last year that we were able to study.”

The events justified and even exceeded his estimates.

ESTIMATES OF REVENUES AND EXPENDITURES

and thirty-eight millions respectively—that is, these amounts were entered as revenues in excess of the results of the last known fiscal periods.

Between 1855 and 1863, the wars of the Crimea, Italy and Mexico did not permit the application of exact rules to the question of estimates. The system introduced by the Restoration was at times observed and at times ignored according to circumstances,¹ and manifestly no special theory prevailed in those days. As a result of persistent reclamations on the part of commissions on budget, the ancient method [the rule of the “penultimate year”] was revived, and the deputy who reported on the budget for 1864 announced the reviving of the old system in the following words:

A Swinging
Back of the
Pendulum

“The estimates of revenues are calculated in accordance with facts established during the twelve months which have preceded the preparation of the budget, that is, they are calculated in conformity with principles which were shown by logic and experience to be the best ones and from which deviations were made only reluctantly and which your commissions did not cease to recommend for adoption.” (Report of M. Busson-Billault, April 10, 1863.)

The old method thus put back into operation soon acquired the authority of a financial principle. It was extolled, praised on every occasion and considered as a panacea of finances. Every report, every statement of supporting arguments² re-

Brief Ap-
plication
of the Old
Rule

¹ In 1863, for example, the budget being in need of a supplement of 79,000,000 francs, openly resorted to making increases in order to procure for itself the amount needed: “We suggest to you,” said the report, “the addition of 79,000,000 francs to the estimates of taxes. This suggestion is easily justified; it is based on the results realized during the months of January and February.” January and February of 1863 in fact exceptionally yielded a surplus of 13,000,000 francs. Hence the conclusion was drawn that, figuring upon an average of 6,500,000 francs per month, 78,000,000 francs could be realized in a year. (Statement of supporting arguments relating to supplementary appropriations for the year 1823.) In reality the budget for 1863 was offset with a deficit of 100,000,000.

² The report on the budget for 1869 declared: “As far as revenues are concerned, their estimating is based exclusively upon the experiences of 1867. No surplus of revenues has been estimated in advance. This is the application of the rule, which you have always recommended and which offsets the contingent expenses by the counterbalance of the increase of revenues.” (Report of the Commission on Budget for 1869 by M. Busson-Billault, June 9, 1868.)

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peated the eulogies of the system in question. M. Magne, upon his reappointment to the ministry of finance, toward the end of 1867, appropriated this system so cleverly for himself that, very much to his credit, he was always considered as its inventor.

As soon as order was reëstablished after the events of 1870-1871, the Government lost no time in reviving the sound traditions of the past and in calculating again the revenues of the coming fiscal period in conformity with the results obtained during the last known twelve months.¹ This system of operating was regularly in force until 1878.

Beginning with 1878, however, as in 1852, the return of prosperity brought increases in the proceeds of indirect taxes. The collections made each year began to exceed the estimates by large amounts. Two years of large revenues superimposed themselves on the original estimates, precisely the two years which, as we have said, separate the preparation of the budget from its being put into operation. Thus, to the excess of revenues during the year which preceded the putting of the budget into operation was added the surplus of revenues realized in the course of the execution of the budget. In 1881, for example, the budget prepared on the basis of results in 1879 was benefited by the surplus of revenues gained in 1880 and 1881. The excess of collections over the original estimates amounted to:

Return of a
Period of
Rapid
Increases

163,000,000	in 1879
195,000,000	in 1880
232,000,000	in 1881

The Chamber accustomed hitherto only to deficits, could not keep its head at this unforeseen turn of fortune's wheel. The 163,000,000, the 195,000,000 and the 232,000,000 [of sur-

In the budget for 1870 we find the same eulogy of the new method. The report on the budget for 1871, which was, as we know, the last one to be prepared under the Empire stated as follows: "The estimates were calculated on the basis of proceeds which were realized in the preceding fiscal period, that is, on a perfectly rational basis which experience warrants considering as certain." (Report of the Commission on Budget, for 1871, by M. Chesnelong, June 9, 1870.)

¹ "True to correct financial principles of estimating budgetary revenues, I had the estimate for 1875 made after the collections effected during the fiscal period 1873." (Statement of supporting arguments of the budget for 1875, by M. Magne, Minister of Finance, Jan. 2, 1874.)

ESTIMATES OF REVENUES AND EXPENDITURES

pluses successively], which entered the public treasuries as an excess over estimates, troubled the Chamber. We should now have been much better off if, at this psychological moment wisdom had governed and if proper use had been made of this unexpected wealth.

On the contrary, these surpluses of revenues gave rise to two tendencies within the assemblies, which, acting together, rapidly destroyed the fruit and the seed of returning prosperity. On the one hand, the policy of reduction of taxes was inaugurated; after having abolished at a single session and without discussion the taxes on soap, chicory, newspaper stock, navigation tolls, etc., 170,000,000 of revenues from beverages and sugar were abandoned. (Law of July 19, 1880.) On the other hand, supplements to appropriations, or, in other words, increases of expenditures approved in the course of the fiscal period reached enormous figures, to-wit, 251,000,000 in 1879, 174,000,000 in 1880, 270,000,000 in 1881, etc. Here lies, in its two forms, the danger of surplus revenues: they cause inconsiderate reductions of taxes and expenditures without limit.

Vicious
Legislative
Practices
Resulting

In 1882, therefore, the Minister of Finance, M. Léon Say, considering it too dangerous to leave such a bait within the reach of the assemblies, preferred to abolish the surplus revenues rather than to see them wasted.

“Every three months,” he said, “tables of proceeds of indirect taxes are published in the *Journal* in which tables considerable surpluses of revenues are shown; these surpluses of revenues are due to the fact that the term of comparison is manifestly too short, and that it is too short is due to the fact of its being figured by rules which have become inexact. . . . To continue to follow this practice would mean to open a way to expenditures from an appropriation, which might be called: ‘Undetermined reserve fund to be used for whatever may be wanted.’” (Statement of supporting arguments of the budget for 1883, March 2, 1882.)¹

¹ The Minister added: “It is a necessity of prudence to abandon the old rule. The old rule doesn’t give the truth any longer. One does not think to need to consider the expenditure, because he has treasures within the reach of his hand and thinks he can avail himself of them. What is a rule in a matter of finance? It is a procedure through which one can arrive at the truth. If you should

THE BUDGET

The Re-
form of
1883

The
Average
Increases
of Five
Years
Added

In a word, the Government, discontinuing the ancient method, undertook to swell the estimates by a quota equal to the average surplus of revenues for last three previous years. The known results of the penultimate year would always serve as a first element in estimating; a sum proportionate to the average surplus of revenues for the last three previous years would be added to it.¹ The Commission on Budget, after having substituted for the average of three years an average of five years,² adopted, with this change, the principle of increases; the budget for 1883, constructed³ and voted on this new basis, was benefited by more than 80,000,000 of increases in revenues which were intended to offset on paper the steadily growing volume of budgetary expenditures.⁴ Many regrets were voiced at the time the old method was abandoned:

"The principal objection to the new system," said the senator reporting on the subject to the Senate, "is that it furnishes for the future an extremely easy way of balanc-

find that the procedure which you have adopted for a number of years, after having given you the truth during all these years, does not give it you any longer, why should you stick to it?" (Speech of M. Léon Say, June 26, 1882.)

¹ "It is necessary to resolve to state the truth in the estimates of revenues. This truth, I have said, is the revenue of the penultimate year plus something, and this quotient, this percentage, this increase we must decide, look for it without being sure to find the truth at once." (Speech of M. Léon Say, June 26, 1888.)

² "I thought that it would be sufficient to take the average of the last three years: The commission has taken an average of five years: One thing is certain that the more years one takes to be speculated on, the nearer he comes to the truth. There would be, however, one inconvenience in taking a rather long average. By stopping at the period of five years, I believe we have done something reasonable and sincere. (*Idem.*)

³ The results of 1881 increased by average surpluses of the five previous years, or by 80,000,000, constituted the estimates of the budget for 1883. In order to understand the mechanism which was then adopted, let us take as an example the revenues from registration, stamps, and mortgages which in 1881 yielded 570,713,000 francs. As their average surplus of the last five years represents a proportion of 4.05 per cent., or 23,114,000 francs, the total of their estimates for 1883 amounts to 593,827,000 francs.

⁴ The Minister very wisely took advantage of this surplus in order to include in the ordinary budget 52,000,000 of expenditures which were until then unduly classified in the budget of extraordinary resources.

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ing the budget by arbitrarily estimating the surplus of revenues at a figure more desired than certain." (Report on the budget for 1883, by M. Dauphin, Senate, December 12, 1882.)

"The defenders of the ancient method," said the deputy reporting in the name of the commission of the Chamber of Deputies, "point out that possibly by trying to approximate the real figure of revenues of one fiscal period, the danger arises of not leaving a sufficient margin for unforeseen expenditures. How is it possible, they add, to escape arbitrary decisions as soon as one ceases to be guided exclusively by the results of the last known fiscal period?" (Report of the Commission on Budget, by M. Ribot, July 1, 1882.)

The system of "increases" consists of adding to the normal bases of estimates of revenues a supplement of a probable surplus of revenue. Through this, the initiative of using future surplus revenues was shifted from the legislature to the executive. Without discussing whether it is better to tie down the legislature or the executive, let us say at once that events did not permit the expedient of 1882 to furnish convincing conclusions.¹ Through an unfortunate coincidence, the normal increases stopped short at the time the Minister intended to discount them; facts contradicted the Minister of Finance at the beginning. The budget for 1883, with its anticipated and unrealized estimates of revenues, showed a debit balance of 66,607,000 francs, a deficit which continued during the following fiscal period.²

Initiative
Shifted
to the
Executive

Difficulties
Encoun-
tered with
Another
Period of
Decreases

¹ "I am absolutely convinced," said one of the first successors of M. Léon Say, "that if, instead of making the experiment in 1881, this experiment had been made in 1877, 1878, or 1879, no miscalculations would have resulted at least in the first year, because we had then prosperity. I repeat that that experiment would have succeeded at that time. It was its application at the wrong time that caused its failure." (Speech of M. Tirard, November 22, 1884.)

² Indirect taxes.—Surplus or deficit of the collections over the budgetary estimates:

1882	plus	94,349,000	francs
1883	minus	66,607,000	"
1884	"	47,890,000	"
1885	"	35,646,000	"
1886	"	71,311,300	"
1887	"	22,250,000	"
1888	plus	43,446,000	"

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Final Re-
turn to the
Old Rule

The [principle of] "increases," although doomed from this moment, survived for some time, however, because of the impossibility of balancing the budget on paper without them. An ingenious Minister of Finance admitted this fact in the following words: "Last year," he said, "I was very strongly tempted to revert entirely to the old system. Unfortunately, gentlemen, it was extremely difficult to reduce 'even apparently' the revenues, when we have to meet expenditures far exceeding them." (Speech of M. Tirard, Minister of Finance, on November 22, 1884.) This quotation shows distinctly the abortive part [the principle of] "increases" played in the budget.¹ In preparing the budget for 1885, it was decided to return to the traditional rule: "I have resolved to return absolutely to the old system," said the Minister of Finance and the commission on budget concurred in this sentiment. The estimates of revenues for 1885 were, in fact, based on the collections actually made—on those which had been verified during the penultimate year; that is, the year 1883, with the exception of the proceeds from tobacco and posts, which temporarily continued to grow.² In the budget

The surplus came back, as we see, in 1888, when the estimates—regularly calculated in accordance with the ancient method which was reinstated—left a margin for the natural progress of returns.

¹ In 1883 the Minister already said in a similar connection: "Without discussing the merits and the inconveniences of the two methods, we shall simply state that if the revenues realized in 1882 were strictly taken as a basis for the estimates for 1884 it would be necessary in order to have the budget in an equilibrium that the expenditure of this fiscal period 1884 be lower by 89,000,000." Thus the estimates of revenues for 1884 were increased solely in order to procure on paper 89,000,000 of resources which were indispensable for an apparent equilibrium. In 1884, before deciding to change the system, the same minister admitted his trouble in the following words: "The method of increases has given in its total, results entirely too unsatisfactory so as to warrant the continuation of its application. It is impossible, however, to return to the old system, because the revenues realized in 1883 are smaller than the estimates of expenditures for 1884 and 1885. It is, therefore, absolutely impossible to return to the old method of estimating." (Statement of supporting arguments of the budget plan for 1885, by M. Tirard, Minister of Finance, February 28, 1884.) Only the frankness of this declaration makes it excusable.

² The deputy reporting on the budget for 1885 to the Chamber of Deputies said as follows: "We have returned to the old method, which has never given any miscalculations and which consists of taking the figures of the last known fiscal period as a basis; we have taken the figures of the budget for 1883. But we have not done

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estimate for 1886, this exception disappeared¹ and since that time the old method has been consistently observed.

The automatic system, taking it all in all, has dominated our legislative accounting almost continuously since its introduction. This practice, the reliability of which excludes all fanciful assumptions, will, in all probability, last for some time because, in spite of its imperfections, it seems to be quite suited to the French spirit because of its reliability.

The System of Direct Estimating: Countries like England, Italy, Germany, etc.—owing to the change in the opening date of the fiscal year, which leaves but a short interval between the preparation and the putting into effect of the budget—need no such inflexible method of estimating:

Methods of
Estimating
Revenues
in Other
Countries

“In all countries at the present time,” said quite correctly the deputy reporting on the budget for 1883, “the old rule of the Restoration, which I called the classical rule, has been abandoned. All Europe calculates its revenues by procedures quite different from ours.” (Speech of M. Ribot, deputy, July 24, 1882.)

In England, for example, the submitting of the budget to the House of Commons on the eve, and even more frequently, on the morrow, of the opening of the fiscal year renders the automatic fiction quite useless. As the taxes have yielded a certain sum last year—which ended only eight days ago—they certainly will be able to yield either an equal sum or a smaller or a greater sum, according to the conditions which affect them at the given moment, or which may affect them within a short time. The probabilities are so real or so close

English
Estimates
Based on
Known
Present
Conditions

that blindly, it must be understood, and not in a mechanical way. We have changed these figures in two points only because we have the right to do it absolutely and because it has always been done for good reasons. The points in question are tobacco and posts.” (Speech of M. Jules Roche, who reported on the budget for 1885, Nov. 19, 1884.)

¹In the revised plan of the budget for 1886 the Minister of Finance, M. Sadi-Carnot, condemned “certain exceptions made to the old rule of estimating which has recently been reestablished, exceptions which do not seem to be sufficiently justified,” and he re-established the application of this rule in all its severity by suppressing an increase of 4,242,000 francs on tobacco and 4,417,000 francs on posts. (Statement of supporting arguments of June 9, 1885.)

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that they are equivalent almost to accomplished facts. The Chancellor of the Exchequer sees rather than anticipates, and no one would think, therefore, about tying down his estimates by mechanical rules based on antiquated statistics.¹

The method which the Chancellor of the Exchequer applies is called "estimating by direct valuation"; by means of this he, in agreement with the chiefs of the different branches of the services, calculates the reasonable probabilities of the future fiscal period on the basis of the total of indications or actual facts,² applying to the future a personal judgment which is as clear as possible. Mr. Goschen, in one of his speeches as minister, described the method of estimating in England:

"It does not seem useless to explain to the public how our estimates are made. One must not think that the minister considers the total amount of revenues and says to himself: 'Business is not bad; let us add two millions.' That is not the way it is done. Every branch of service is responsible for the figures it furnishes to the Chancellor of the Exchequer. The board of customs and excise, the board of inland revenue, calculate the 'probable returns' of every particular source of revenues and make it a point of honor not to make a mistake."³ (Financial statement of the Chancellor of the Exchequer, April 17, 1890.)

In fact, the estimates of the English administration are generally very exact, and, if they have any fault at all, it is

¹ "In England how are the estimates made? They are made not according to this or that rule, but in accordance with the best established probability. It is four or five months since the Chancellor of the Exchequer has made the Estimates for the year 1884-1885, and as he knew that there was a period none too favorable for the Treasury, a period of deficit, he had the prudence not to increase the revenues, but to decrease the Estimates." (Speech of Deputy Ribot, November 21, 1884.)

² "If I should base myself on the statistics, on the rumors which are floating in the City, on the complaints coming from Lancashire, on the situation in Yorkshire, if I should listen to public rumors, etc.," said Sir Vernon Harcourt on April 24, 1893, while enumerating the various elements which are liable to influence the estimates of revenues.

³ In 1907 Mr. Asquith, Chancellor of the Exchequer, admitted with reference to the budget for 1907-1908 that "the estimates of custom duties and excise duties were established, leaving a margin for what can reasonably be anticipated from an increasing development of consumption." (Speech of April 19, 1907.)

ESTIMATES OF REVENUES AND EXPENDITURES

an excess of moderation. In 1889-1890 the Chancellor of the Exchequer deemed it necessary to justify the excess of revenues of 78,800,000 francs, realized at the end of the fiscal period by saying:

Close Approximates to the Actual

"I have been accused of having prepared this success by systematically making pessimistic estimates. It is evidently impossible to estimate within a few hundreds of such a total amount of revenues. . . . Being less circumspect, we could have had a miscalculation in case things had gone the wrong way, as such a turn of affairs is always possible. In reality, however, this surplus of 78,800,000 francs did not represent even four per cent. of the total amount of 2,250,000,000 francs of revenues. And then, 'it was alcohol that took the lead.'"

In 1894, on the contrary, the revenues yielded 13,000,000 francs less than was estimated; 2,278,000,000 [were realized] instead of 2,291,000,000 as estimated in the budget. The Chancellor of the Exchequer gave voice to the following:

"I venture the remark that after a period of depression such as the one through which we have just passed, it is a marvelous result to be able to realize the estimates within one-half of one per cent. of the 2,300,000,000, or, including the collections of local authorities, of 2,450,000,000." (Financial statement relating to the budget for 1894-1895 by Sir Vernon Harcourt, April 16, 1894.)¹

For 1905-1906 also, Mr. Austen Chamberlain, Chancellor of the Exchequer, increased in conformity with his estimates, the proceeds from the inheritance tax and the stamp tax. But, he added:

"I estimate the revenues from customs to be 15,750,000 francs less than the estimates of the last year and 3,250,000 francs less than the actual receipts. I also

¹ In 1893 the Chancellor of the Exchequer, after having stated that the year 1892-1893 balanced with a deficit of 1,450,000 francs under the estimates, added as follows: "I think that the chambers will recognize that where such an enormous sum is involved the balance is a remarkable degree of approximation which does honor to the knowledge and the clear-sightedness of the officers of my departments." (Statement of April 24, 1893.)

THE BUDGET

take into consideration the decrease of more than 10,000,000 in the proceeds from taxes [duties] on sugar. I estimate the revenues from excises to be 32,500,000 francs less than last year."

The word "I," used in every part of the above phrase, indicates the direct estimating by the Minister. In the statement of 1912-1913, Mr. Lloyd-George said: "As far as customs are concerned, I anticipate an increase as a result of the strike, which of course stimulated importations.

"I expect an increase of two per cent. on beer and of one and a half on alcoholic beverages. I count on 1,102,000,000 from the income tax next year."

Practice in
the United
States

In the United States, as has been said, the establishing of the budget of revenues precedes the opening of the fiscal period by only a short time; the Secretary of the Treasury revises his initial estimates by the middle of December, and, if under such conditions, the realized facts do not always agree with the figures of the budgets, it is rather the result of successive changes which the federal finances have had to undergo.

Until 1891, as a matter of fact, the United States did not know what to do with its surplus of revenues.¹ Thus, on June 30, 1886, the surplus reached 237,000,000 francs; on June 30, 1887, 227,000,000; on June 30, 1888, 598,000,000; on June 30, 1890, 420,500,000.² The budgetary estimates, even the most optimistic, were exceeded.³ Then, as a result of the McKinley bills and various financial measures and with

¹ Every year the use of the surplus and the question of the reduction of taxes cause discussions between the partisans of the protective tariff and those of free trade. Temporarily, as there was no possibility of agreement, the "*status quo*" was maintained. "Although the necessity of reducing public revenues is generally admitted, no agreement can be reached as to the means for attaining that purpose or as to the total reductions to be made. The government persists in making the nation pay millions, which will accumulate and lie idle in the reserves of the Treasury." (Message of President Cleveland, December, 1888.)

² "The American treasury suffers from a chronic surplus of revenues," said M. de Molinari in his monthly bulletin in the *Journal des Economistes*.

³ Not only Mr. Cleveland upon going out of office, but also Mr. Harrison from the very moment of his coming into office, stated the trouble which the surplus of revenues causes to the Treasury: "By collecting more money than is needed by the progress of public services, unnecessary duties are imposed upon the nation and the normal movement of affairs is disturbed." (Message of Dec. 3, 1889.)

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the aid of an increase of expenditures particularly for pensions, the situation was reversed: deficits took the place of surpluses and the collection of revenues fell below the estimates. For 1893-1894, for example, the deficit increased to 349,000,000 francs, while the estimates of revenues fell short by 286,000,000; the revenues from customs alone fell off 220,000,000. For 1894-1895 the deficit was reduced to 215,000,000; and to 126,000,000 for 1895-1896; in 1898-1899 the deficit reached 445,500,000 francs. In 1902-1903, on the contrary, the surplus again appeared, amounting to 272,000,000. Since then, the balance has been maintained, except in cases of extraordinary expenditures.

In Prussia and in Germany, where the fiscal year begins on April 1, the estimates of revenues, made close to the opening of the fiscal period, are made in good faith in consideration of the proximity of events. As far as Prussia is concerned, the opening speech of the session of the "Landtag" indicates: "The present fiscal period promises a surplus in accordance with results ascertained so far. This condition of things fortunately permits the increase of the figures of revenues for the following year." Increases are made when events between January and April indicate that such an operation is justified.

The Experience of Prussia and Germany

In the same way, in the German Empire, the bases for estimating are changed in accordance with the circumstances. The fiscal statement of one of the last budgets, that of 1912-1913, reads: "The revenues are estimated with prudence, taking into consideration special circumstances which are liable to influence the collections." In these countries the abundance of revenues of the state, called "industrial" revenues, would not permit of any other procedure.

Italy also proceeds to a very "prudent estimate of its revenues" by means of direct valuation. M. Luzatti, while using the above expression in his financial statement of November 8, 1904, relating to the budget 1905-1906, added that he intended "neither to increase nor to diminish artificially the estimate of revenues and that he would build from results ascertained in the course of the present fiscal period in order to establish the budget." This system of direct estimating has given proofs of its merits in Italy. The ministers of the treasury formerly spoke only of deficits and smaller estimates:

The Practice in Italy

"As a result of smaller estimates of revenue and of increases in expenditures, the deficit should be entered

THE BUDGET

as amounting to 47,070,000 francs, or, in other words, exceeding by 7,800,000 francs the first estimates." (Statement of the revised budget 1895-1896 by M. Sonnino, June 13, 1895.)

Now, at the closing of each fiscal period, a surplus of 32, 40 or 69,000,000 lire is realized. Thus, the revised annual budgets were able to open with an item well filled and bearing the heading: "Excess estimate of revenues on the basis of results already obtained."

The Prac-
tice in
Belgium

In Belgium no automatic system is in force. The plan of one of the last budgets begins by declaring that in their totality "The estimates of revenues were made with moderation." [There it is thought that] the best method is to estimate each kind of revenue separately. The proceeds from customs, for example, are estimated not on the basis of the results of the last year, which might be exceptional, but on the basis of an average of the last five years. The personal tax, on the contrary, is entered with the same amount as last year, which is an intelligent way to do it. As far as licenses are concerned, the economic situation of the country is such at the end of the year that a considerable increase can be anticipated. The same is the case with revenues from beer, which can justly be supposed to exceed the five-year average on account of an increase in consumption during the last year. Each item of revenues has its probable proceeds analyzed and rationally figured out. Then, in December, a few days before the opening of the fiscal period, the primary estimates once more corrected in conformity with the last known facts, are entered in the final budget plan.¹

Possibility
of Chang-
ing French
Practice

All our neighbors prefer the greater exactness resulting from a clear-sighted observation of facts to the blind security procured by the automatic method; in their eyes the system of direct valuation—which means only the absence of a system—is superior to combinations based upon rules.

In order to follow these examples, however, France would first have to change the opening date of its fiscal year, or to adopt the *douzièmes provisoires* as they exist in Belgium; it

¹ For Belgium consult besides statements, reports and official accounts the interesting work of M. Ernest Du Bois, director of the *Institut supérieur du commerce d'Anvers*, under the title *Etude sur le système belge en matière de budget de l'Etat. Exposé historique et critique*. Brussels, 1904.

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would have to bring closer together the period of estimating and the period of the budget proper; otherwise, direct estimates would always remain doubtful when made so long in advance.

METHODS OF ESTIMATING EXPENDITURES

The estimating of revenues, regardless of the degree of its exactness never constitutes anything else than a guide, because, in case the actual proceeds of taxes exceed the estimates, the collectors never refuse to take the surplus. The expenditures, on the contrary, are subjected to imperative regulations so far as their title and amount are concerned. The title of the [estimate and authorization for] expenditures specifies the only purpose for which the expenditure may be made; the amount of the [estimate and authorization for] expenditure determines in just as precise a way the maximum of funds which is allotted to this expenditure. Thus, the figure becomes a legal limit which may not be exceeded and beyond which accountable officers will pay out no funds; this fixing of the figure, and this specification of purpose as shown by the title govern; the two features combined constitute the "appropriation."

Characteristics of Expenditures—Estimates and Authorizations

Definition of the Term "Appropriation": What is an appropriation? The decree of May 31, 1862, did not define appropriation, but incidentally article 41 of this decree provides as follows: "The ministers cannot, under their responsibility, expend more than the amount appropriated to each of them."¹ Before that we read as follows: "The appropriations [set aside²] for the expenditures of each fiscal period cannot be used for meeting the expenditures of any other fiscal period." (Article 8.) These two articles confirm the idea expressed above by virtue of which the appropriations are strictly annual authorizations, beyond which the ministers may not go, and which they may not carry forward from one year to another and to following budgets. This, however, does not give us the technical definition we

Provisions of Law

¹ This [decree] was taken from the text of the law of March 25, 1817, which was quoted above.

² [The terms "allot" and "allotment" are not here used because they have the technical meaning of an administrative authorization in this country.—The Editor.]

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need, although it leads us to such a definition. This definition, in accordance with the preceding remarks, without further comment can be formulated as follows:

Author's Definition

An appropriation is an entry in the budget [the legal enactment authorizing expenditures] for the purpose of an expenditure and of an allotment made [amount set aside] for the carrying out of that expenditure." Or still better: an appropriation is the authorization to carry out some work and to expend for the purpose a designated amount of money in the course of a fiscal period.

Two Main Considerations

Rules Governing Estimates for Appropriations: What rules are in force to insure exactness [reliability] of estimates of appropriations?

If it were possible to determine these rules in a technical way, two points of view would have to be taken into consideration: the first relates to the form of the demands to be made by the administrations; then there is the control which these demands involve on the part of the Minister of Finance and of the legislature.

Care Must be Exercised in Preparation of Supporting Details

So far as the first question is concerned, it may be said that the administrations, before formulating their demands for appropriations, consult the local agents, examine documents, recapitulate accomplished facts, or facts in the course of development, collect information of all kinds, acquaint themselves with ideas of reforms which are under discussion, etc., and only after this preliminary work are the figures of proposals for appropriations put down either to an amount equal to the amounts appropriated in the last budget or involving an increase or, less frequently, a reduction. All this, however, is but a statement of general considerations.

Review by Minister Must Be Thorough

The control over appropriations exercised by the Minister of Finance and by the legislature involves more precise rules. The comptrollers of the budget plans must, in fact, investigate whether the proposals for appropriations, which have been submitted to them are: (1) not exaggerated; (2) or, on the contrary, reduced below the real needs. Following this sequence, it is necessary to specify first the distinction existing between limited appropriations and estimated appropriations.¹

¹ The name of "voted works" is also given to the estimated appropriations in order to indicate the fact that the "work" is the principal object of the vote. See Chapter XVII on this subject.

ESTIMATES OF REVENUES AND EXPENDITURES

The definition given in the beginning applies to both kinds of appropriations and the authorization of the legislature is necessary in each case, but under different conditions.

Conditions to be Attached to Appropriations: The estimated appropriations are those the exact amount of which will be determined by the execution of the budget. Their definite figure depends on certain facts which will be known exactly only at the end of the fiscal period. Those who prepare the budget only estimate these appropriations.¹ Let us cite as an example the fees allowed to receivers of indirect taxes—fees calculated on a decreasing rate which is scaled on the basis of notices sent out. The fee is fixed; but what is to be the number of tax notices sent out during the year? The budget plan can estimate it only in a hypothetical way. Therefore, if the number of delivered communications exceeds the estimates, the incumbents of receiverships have only the right to the salaries which were agreed upon. It then becomes necessary to make supplementary appropriations so that they may draw the residue.

Estimated
Appropriations

For Compensation to
Revenue
Officers on
Sliding
Scale

The same is the case with the premiums allotted to deep sea fishing; these premiums are regulated either by metric hundredweight of codfish brought into French ports or exported from them, or the *per capita* of men on board. The budget plan computes all these elements and figures them out approximately. But regardless of the amount of the budgetary appropriation, all the exported or imported cod and all men on board must be given the premiums promised by law, because the ships' owners have undertaken their operations in anticipation of those premiums.²

Premiums
for Deep
Sea Fishing

¹ "The budget contains two kinds of provisions: orders and estimates. The budget either authorizes a certain work to be done, and as the price of this work depends on many circumstances, the budget limits itself to estimating the expenditure without making any pretence of limiting it; or the budget limits in an imperative way the figure of the expenditure itself." (Report of Count Duchâtel on the budget plan for 1835.)

² The Government demands every year supplementary appropriations for these premiums: "In matters of fishing it is impossible to have absolute certainty. I was not able to foresee one year in advance how much codfish would be caught on the banks of Newfoundland. In past times there certainly were some marvelous hauls." (Speech of M. Lockroy, minister of commerce, March 29, 1887.) The supplementary appropriation was voted because vaudeville is always successful in France.

THE BUDGET

The same is also the case with regard to distribution of the proceeds from fines and confiscations which are allotted to the officers collecting them or making them. The same is also the case with regard to purchases of tobacco necessary to provide the monopoly with required materials; also with regard to the costs of transporting prisoners, premiums for cultivation of silk worms, for silk mills, for schist-oils, etc.;¹ in a word, with regard to all expenditures authorized by previous laws or by the regulating tariffs and which are automatic, so to speak, or follow the line of accomplished facts. The legislature can only accept the facts and ratify them. We repeat that the previous approval by the legislature is always necessary; no expenditure can possibly be made without the appropriation being voted, nor can the voted appropriations be exceeded. The necessary supplements, however, cannot be refused, and this is true to such an extent that in case the Chambers are not in session the Government authorizes these supplements as a matter of urgency under certain conditions which will be described in the chapter devoted to Additional Appropriations.

Other
Estimated
Appropriations

Limited
Appropriations

The limited appropriations, on the contrary, as their name indicates, are strictly confined within their original limits. Being granted for the purpose of completing a specified piece of work, they represent the maximum figure the Chambers intend to allow for it; the Government cannot incur nor permit an expenditure to be incurred exceeding this maximum. Thus the salaries of the personnel, office expenditures, annuities, subsidies, expenditures for materials, secret expenditures, commissions, subscriptions, works of repair and maintenance, new works, construction, etc., are regulated by means of limited appropriations. In all these cases a fixed and definite sum is put at the disposal of the Government, which must content itself with this amount.

Recapitulating the above, these two kinds of appropriations can be defined as follows:

Definition
of "Limited"
and
"Estimated"
Appropriations

Limited appropriations determine in a definite way the nature of works and the amount of money which shall be allotted to [set aside for] them. The estimated appropriations specify the works, limiting themselves to esti-

¹ The list of estimated appropriations is included in a special part of the fiscal law, as it will be shown in Chapters XVI and XVII, which are devoted to additional appropriations.

ESTIMATES OF REVENUES AND EXPENDITURES

inating the amount which the carrying out of the works will cost.¹

Significance of These Terms in Controlling the Execution of Authorizations: What influence have these distinctions upon the control over the exact estimating of expenditures? They have a material influence. For, according to the kind of appropriation, there will develop attempts at abuse, and different precautions must be taken against them.

First, as far as the "estimated" appropriations are concerned, the tendency of the administrations will be not to swell their budget estimates, but rather to reduce them in order to satisfy the exigencies of the budget equilibrium. What difference does it make to the interested branches of the service, if an insufficient estimate for an appropriation is inserted in the primary plan? If, for example, the amounts voted for the benefit of the incumbents of receiverships, of whom we spoke above, should turn out to be insufficient to pay their salaries, it will be necessary to make additional appropriations at the proper time. If the supplies of the tobacco monopoly fall short in the last months of the year, some measure must be taken in order to keep the public supplied with tobacco. In case the stores and forage for the Army involve greater expenditures than was estimated, the supplies for men and horses must be procured at any cost.² What do the ministers risk by underestimating expenditures of such nature? Possibly reproach or blame? And then, it is so easy to prove after the thing has happened and having the documents and evidence in hand—particularly, if one is still in power, or has powerful friends—that all the indica-

Tendency
to Under-
state "Esti-
mated
Appropri-
ations"

¹ In the texts of laws and regulations the terms "estimated appropriations" and "limited appropriations" are rarely encountered; these terms alone would be too vague. But without attributing to them a generic name the laws and regulations quote these terms individually in many cases.

² One of the most striking examples of intentional misestimating is the procedure which was repeated for a long time with regard to proceeds from state forests. In spite of memoranda from the collectors, the budget plan persisted every year in entering a lower figure than the real one. Supplementary appropriations were repeated, therefore, with a regularity which finally attracted the attention of the commission on budget. The report of M. Burdeau on the budget for 1890 declared that this peculiar procedure should not be repeated.

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tions and all the information unite in justifying the estimate at the time it was made, in spite of its having apparently turned out to be incorrect, etc.¹

Need for
Great Care
in Review
of These

The commissions on budget, anxious to perform their functions properly, must, therefore, keep their eyes on the estimated appropriations. The study of memoranda on supplementary appropriations has sufficiently informed them of the tendency of the Government with respect to them. These commissions, therefore, must investigate whether under the

¹ The following extract recapitulates what we have said on the subject of limited and estimated appropriations: "You all know that there are two kinds of appropriations in the budget: there are appropriations which limit the expenditures to which they apply. When the Government consents to a reduction of these appropriations an actual reduction of the expenditure becomes imperative. But there are other appropriations, the figure of which as entered in the budget is nothing but an indication, a simple estimate. No matter what the figure is, the actual expenditure shall not be affected in any way by the figure: this expenditure shall remain what it should have been; it does not depend on the Government either to reduce it or to increase it. This is what we call the 'voted works.' If, therefore, there is trouble with regard to the equilibrium of the budget, and if there is an attempt to apply the reduction to those chapters the appropriations of which are limited, the Government defends itself against such a measure because through similar reductions an obligation would be imposed upon the Government to diminish the expenditures.

"But if the attack is directed against the 'voted works,' it means against works the expenditure of which shall be determined by circumstances, the Government shows its willingness. The figure entered in the budget is a matter of indifference to the Government: the reduction of this figure imposes on the Government no sacrifice whatsoever. When reductions of this kind are made, everybody is perfectly well aware of the fact that they are not going to be genuine reductions, and, therefore, the Government and the Chamber of Deputies display deplorable eagerness for making such reductions. They assume the air before the country of making economies without really making them; the country is shown a budget apparently in good equilibrium. This equilibrium, which does not exist and of the non-existence of which responsible persons are very well aware, is not only a fictitious equilibrium, but it is also a mendacious one." (Speech of M. Buffet, Senate, December 15, 1897.)

This deceitful procedure is by no means a new one, as the legislative Commission on Budget for 1847 mentioned it in the following terms: "One of the fundamental conditions of establishing the budget is to show the truth. Your commission, however, is obliged to say that this principle is often disregarded. This is done in two ways: one way is to decrease the expenditures of 'voted works'; the other is to exaggerate the estimates of works which are not included in the list."

ESTIMATES OF REVENUES AND EXPENDITURES

insufficient primary demands is hidden the afterthought of a supplementary appropriation to be demanded in the end; in a word, these commissions have to find out whether they are confronted by what is called false economy.

These false economies have been at all times the plague of the budget.

"Distinction must be made between economies," said the Minister of Finance in 1876; "there are two kinds of economies: The first results from the abolishing of this or that work: this is real economy. The second kind results from the fact that one or the other expenditure was estimated under its actual figure." The price of one portion of meat in the provisions of war being arbitrarily reduced by the Commission from 0.39 franc to 0.31 franc, the budget benefited immediately by an economy on paper of 14,000,000. "But," added M. Léon Say, "did they make an economy of 14,000,000? No. Only an estimate was made which is possibly closer to the real facts than any other; this the future will disclose; but, at any rate, it can not be said that an economy was made."¹ (Session of December 16, 1876.)

When these false economies produce their inevitable and intentional consequences, viz.: additional appropriations, the discontent of the chambers manifests itself in belated protests: "These are false reductions! . . . Such procedures should absolutely be forbidden in a fiscal law!" (Session of the Senate on December 25, 1887.) "It is not a mystery

Protests
Against
Practice

¹ The price of rations of bread, foodstuffs and forage has always caused the most fantastic estimates. Sometimes the Government struggles against the commissions on budget for the sake of budgetary sincerity—we cited one of the rare examples—most often, however, the commissions on budget criticize with perfect right excessive reductions of estimates by means of which the Government pretends to maintain the equilibrium. "Just to cite one example," said the deputy reporting on the budget for 1871, "we have increased by 6,000,000 the appropriation for food and forage in the Army and Navy. It was not the expenditure which was increased, it was our estimate which became more positive. We simply had made our estimate agree with the actual facts by adding to the original budget a charge of which the supplementary appropriations shall be freed. The only way to avoid deficits in the accounts is to measure exactly the expenditures in the budget." (Report of the commission on budget for 1871 by Deputy Chesnelong, June 9, 1870.)

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to anyone that the procedure, unfortunately used too often for economy, consists in reducing the expenditures when obligatory appropriations are involved and then of demanding in the course of the fiscal period supplementary appropriations which cannot be refused because certain obligations have been incurred." (Report of the Senator Boulanger, March 17, 1894.) The same senator explains in another connection how the members of legislative commissions, desirous of submitting to the Chamber a nice round sum of economies, easily obtain from the administrations all kinds of reductions of the items of estimated appropriations. Various examples of intentional misestimates support this assertion; for instance, misestimates on purchases and transports of tobacco, on the premiums for deep sea fishing, for silk mills, misestimates on allowances paid to incumbents of receiverships, to excise officers, misestimates on purchases of forage for the department of war, misestimates on the premiums for the merchant marine.¹

Tendency to
Overstate
Need for
"Limited
Appropriations"

A different policy is necessary, however, with regard to limited appropriations. The Government is well aware that in general an appropriation of that kind for bureau expenses, expenditures for materials, salaries of the personnel, subsidies, subscriptions, secret funds, etc., shall constitute after being voted on once the maximum of what it can spend; undoubtedly, supplementary appropriations can be demanded later, but these demands are liable to fail, or they may need, in order to succeed, all kinds of exceptional proceedings, solicitations and explanations. The Government is, therefore, naturally inclined, as far as limited appropriations are concerned, to demand the highest possible amount in the very beginning. The legislative commissions, therefore, must consider these demands from the point of view of their probable

¹ The commission on budget for 1890 thus explained its function from this point of view: "It is wise economy to provide for all justified needs of the services: By so doing all plans of supplementary appropriations are cut short; repeatedly improper demands were hidden under such supplementary appropriations. For this reason we suggest the increase by 6,000,000 of several appropriations the insufficiency of which has been ascertained. We thus would hasten the disappearance of an inveterate habit which is detrimental to the clarity and well-being of our finances." (Report of March 23, 1889.)

See also what M. Pelletan has to say in his report on the budget for 1889.

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exaggeration and investigate whether there is any possibility of reducing their figures.¹

Recapitulating, the rules of control hitherto formulated, seem to consist in suppressing deceptive economies which lie concealed in estimated appropriations and of bringing about real economies involved in the limited appropriations. These, however, are not rules in the proper sense of the word; they are only suggestions and recommendations which by no means possess the authority of a rule of accounting.

Rules to
Prevent
Misrepresentation
of Needs

There is, therefore, no rule of accounting on the subject of expenditures.² At the most, statements of supporting arguments or the reports of the commissions mention at times certain automatic bases which can be applied to expenditures of a particularly variable kind. For a long while, for instance, the rations of bread, foodstuffs and forage in the ministry of war were calculated on the basis of the cost price during the fourteen preceding years, after deducting the two best years and the two worst years. The budget for 1883 abolished this decennial average "on account of the financial situation."³ In the same way the costs of lodging reservists were estimated in the lump at the rate of a month's interest. (Report of the Deputy, Jules Roche, July 23, 1894.)

Prescriptions as to
Method of
Estimating

In the same way, in Germany, the expenditure relating to bread for the Army is determined one-half by the average price of wheat over ten years and the other half by its price at the end of the current year. Doubtless, examples could

¹ The Government, however, by means of a minimum limited appropriation can begin considerable work which under any conditions must subsequently be paid for. "Protests have been made repeatedly against the habit of certain administrations which abused the confidence of the legislature by demanding only a minimum appropriation, by means of which they start numerous works." (Report of Deputy Felix Faure on the regulation of the budget for 1882, March 9, 1890.) The distinction, therefore, has no absolute character such as we are attributing to it theoretically in the foregoing lines.

² The decree of May 31, 1862, contains no article relating to estimating expenditures except possibly the following: "The expenditures for material and for personnel shall be presented distinctly and separately."

³ The words "on account of the financial situation" have a particular flavor in this connection. They mean to say that the estimates admitted hitherto became really too embarrassing from the point of view of the equilibrium on paper. See the phrase of the report itself where the idea is expressed without mincing words. (Report of the Commission on Budget for 1883, on the ministry of war, July 1, 1882.)

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be multiplied of cases in which only isolated details have been given without deriving therefrom any definite and regular system.

VALUE OF PLACING RESPONSIBILITY ON THE EXECUTIVE

Economy
Can Come
Only
Through
Adminis-
tration

What an expenditure represents and what it will always represent is in the hands of those who carry out the act. The commissions, in spite of their zeal, can never compel the Government to economize if the Government will not do so voluntarily. The legislature undoubtedly holds the purse strings, but the purse is at the discretion of the executive power which uses and handles the money. The legislature must place some confidence in the Government, and the most essential thing is to place it in the right people.

French Dis-
trust of
Executive

The estimating of revenues as well as the estimating of expenditures constitutes—if we recapitulate this chapter—a problem of tact, experience, perspicacity and, above all, sincerity. As far as revenues are concerned, France acts under the automatic system—a system which, on account of a pronounced distrust [of the executive], permits the formulation of precise rules. But, so far as expenditures are concerned, nothing similar could be invented, and, therefore, mental and moral qualifications, as enumerated above, are the only things which can guide those who prepare and control the budgets.

We have already answered the first two questions: Who prepares the budget, and when is the budget prepared? Then, as far as the third question is concerned, viz.: how is the budget prepared? the rules relating to the estimating of public revenues and expenditures have been reviewed. Let us begin now a study of the form of budgets, a study of the detailed analysis of subjects contained in the volume carrying the budget plan.

CHAPTER VIII

CONTENTS OF THE [FRENCH] BUDGET

- The General Budget and the Annexed Budgets: Physical Contrast of English and French Budgets; Main Subdivisions of French Budget; Statement of Supporting Arguments; Prepared by Minister of Finance; Subjects Discussed; Text of the Fiscal [Appropriation] Bill: Provides for Ordinary Functions; Definition.
- Precedence of Expenditures Over Revenues in the General Budget: Reverse Procedure to That Followed by Individuals; Necessity for Determining Needs First; Argument in Favor of Determining the Possible Revenue First.
- Details of Expenditures Entered in the Ordinary Budget: Principal Subdivisions of Ordinary Expenditures; Provisions for Meeting Public Debt; Cost of Regular Departmental Activities; Cost of Collecting Revenues; Reimbursement of Over and Double Payments.
- Details of Revenues Entered in the General Budget: Levy of Direct Taxes; Authority to Collect Separate from Levy; Cannot Collect Till After Budget Passes; Estimates of Amount to Be Realized Follows Authorization; Classification of Estimates; Direct Taxes; Indirect Taxes; Proceeds of Monopolies; Proceeds and Revenues of State Domains; Various Proceeds of the Budget; Exceptional Resources; Routine Revenues—Deductions from Expenses; Those Covering Expenses in Part; Those Completely Offsetting Expenditures; Question as to Whether These Should Be in Budget; Recapitulation of Comment on the General Budget.
- Section II [of the Appropriation Bill] Annexed Budgets; Contents of the Annexed Budgets; Each State Enterprise Has Its Separate Budget; Why Part of State Enterprises so Treated; Central School of Arts and Crafts; National Printing Office; The Public Telephone Service; Railways and the Port of *La Réunion*; Argument Favoring the Special Funding of Railroads; The Legion of Honor; Gunpowder Monopoly; The Mint and Postal Savings Bank; Two Objections to Special Funding; Accounting Features.

THE GENERAL BUDGET AND THE ANNEXED BUDGETS

The French budget plan presents itself in the form of a large volume, made up of several books, the pages of which go on increasing yearly.¹ The data which this volume contains

¹ The volumes of the budget contain about 2,800 pages.

THE BUDGET

Physical
Contrast of
English
and French
Budgets

have grown in number since the beginning of the century; but there is no necessary correlation between the totality of the figures and the bulk of the book. In England, in spite of the development of functions, the *Finance Accounts* and *Statistical Abstracts*¹ have changed very little in their dimensions. They are small booklets, which can easily be put in the pocket.² But who would attempt to put the French budget in his pocket?³ Although its appearance is by no means inviting, it is necessary to approach with courage these volumes in order to analyze them. We find in the French budget the following three main divisions:

Main Sub-
divisions
of French
Budget

1. Statement of Supporting Arguments.
2. The Text of the [Appropriation] Bill.
3. The Appendix of Documents.

STATEMENT OF SUPPORTING ARGUMENTS

Prepared
by Min-
ister of
Finance

The general budget of the State, when submitted to the Chamber, needs a preface, explanatory of contents; the Minister of Finance draws up this preface, in which he com-

¹ The *Internal Revenue Commissioners* without doubt enlarged the size of their report and increased the number of its pages about ten years ago. But in spite of that, they use no more paper for giving an account of the 2,500,000,000 francs of collections than they used in accounting 1,500,000,000 francs. The *Finance Accounts* always contain the details relating to the total of the financial situation on 105 pages, although an amount of more than 4,500,000,000 francs of revenues and of expenditures is involved.

² [While there is real merit in this comparison, it is in a measure misleading: (1) For the reason that what the English call their "Budget" is the Financial Plan and Summary submitted to Parliament and laid before members by the Chancellor of the Exchequer with his "budget speech," while what the author refers to as the French "Budget" is more nearly akin to the great quarto volumes laid before Parliament early in the session as "The Estimates"; (2) because the author uses the word *budget* in not less than four senses, as is explained in the editor's footnote on page 285.—The Editor.]

³ A small manual, recapitulating the essential figures of the budget, would constitute a very desirable innovation. With all the mass of official papers on hand, such a simple and useful compendium is lacking. There is no doubt as to the fact that the compiling of a small, handy summary would cause more trouble to the Administration than the routine compilation of the innumerable columns of the actual budget. But this excess of work on the part of the Administration would be precisely the thing which would benefit the public to a large degree.

CONTENTS OF THE [FRENCH] BUDGET

ments on his own proposals and those of his colleagues. The drawing up of this "statement of supporting arguments," as we have said, constitutes one of the prerogatives of the Minister of Finance.

Subjects
Discussed

In order to indicate what the statement of supporting arguments is, or what it should be, let us analyze the last one. Let us begin the study of this document from a general point of view, by specifying the subjects with which it customarily and essentially deals.

1. The statement of supporting arguments sums up the development of the public wealth. The finances of the State are in such close relation with the commercial and industrial activities that it is not necessary to insist on the propriety of such an introduction.

2. It gives an account of matters relating to prior fiscal periods, not yet audited, and also discusses the current fiscal period.

3. It analyzes the condition of the Treasury; it gives the figure of the floating debt, the amount of the *découverts* (uncovered balances) of the Treasury, reviews the special functions as well as the various methods adopted by the Treasury to insure a proper application of revenues to the expenditures.

4. After having segregated these primary elements, the Minister approaches the principal part of his work by drawing up a summary of estimates for the future fiscal period: he estimates both revenues and expenditures; then he balances the budget; suggests a means of covering the deficit, if any, and how the surplus, if any, shall be applied. This is the largest part of the work.

5. Finally, it nearly always indicates proposed changes with a view to improving the fiscal or budgetary legislation.

No regulation prescribes that these five divisions shall be followed either as to contents or as to sequence. There are, however, very few statements of supporting arguments in which these divisions are not found, because they impose themselves upon the minds of officers who prepare the budget.¹

¹ All statements of supporting arguments in France seem to emanate from a uniform mold; with the exception of a few pages the drafting of which obviously emanates from the Minister himself, the rest is composed of tables and lists interspersed with stereotyped phrases trimmed with new figures by the different bureaus.

THE BUDGET

TEXT OF THE FISCAL [APPROPRIATION] BILL

The "statement of supporting arguments" ends with the recommendation that the budget bill be passed, the text of which carries the following title: "Bill Containing the Budget of Expenditures and of Revenues for the Fiscal Period . . ."

Let us stop here to analyze in detail the Budget [Appropriation Bill] itself.

The text of the Fiscal [Revenue and Appropriation] Bill, constructed as all bills of law, is composed of sections and articles [subsections]. The sections represent the main divisions; these contain no uniform number of articles [subsections].¹ For several years the Budget [Revenue and Appropriation] bills have been divided into six sections:

Section I. Ordinary Budget.²

Section II. Budget² of expenditures to be charged against extraordinary resources.

Section III. Budget² of expenditures to be charged against special resources.

Section IV. Annexed Budgets² attached for order (*pour ordre*) to the general budget.

¹ The number of articles varies to quite an extent, according to the year. The budget plan for 1889 contained 79 articles; the budget plan for 1890, 55; the budget plan for 1891, 72; the budget plan for 1892, 44; the budget plan for 1897, which pretended to organize a tax on the lump revenue (*revenu global*), contained 119. The budget plan for 1908 contained 83 and the budget plan for 1913, 73.

² [In this relation it is to be noted that the word "budget" is here used to indicate a section of the appropriation bill and, after this is passed, as a section of the appropriation act. This is quite contrary to the customary usage. According to the English practice "The Budget" is the document which is submitted by the Chancellor of the Exchequer to Parliament some time in April. It is the financial plan for the fiscal year then just beginning. It is essentially a document of information and as such is quite separate and distinct from both the "Estimates," which are laid before Parliament early in the session (usually in February), and from the "Appropriation Bill," which is introduced late in the session (usually about August). The printed Estimates are first laid before Parliament; then they are initially taken up in the committee of the whole house sitting as a "Committee of Supply." After six weeks or two months the "Budget" is presented; then, after the "Committee of Supply" and the "Committee on Ways and Means" rise and report the "Appropriation Bills," the "Revenue Bills" are introduced and passed. Using the term "budget" to mean any or all four of these separate documents or processes is, to say the least, very confusing.—The Editor.]

CONTENTS OF THE [FRENCH] BUDGET

Section V. Special activities of the Treasury.

Section VI. Means of operation and various provisions.

Since the abolishing of budgets on "extraordinary resources," "special resources" and "special activities," the fiscal laws have contained only the four following sections:

Section I. General Budget.

Section II. Annexed Budgets attached for order (*pour ordre*) to the general budget.

Section III. Special provisions.

Section IV. Means of operation and annual provisions.

Each of these sections now in use will be separately studied. Later we shall return to the subjects of sections [now omitted] used in times gone by.

SECTION I. GENERAL BUDGET [GENERAL APPROPRIATION AND REVENUE BILLS] ¹

The ordinary budget, or the general budget,² with which section we first deal, contains provisions for maintaining the normal activities of the State.³ This might serve as its defini-

Provides
for
Ordinary
Functions

¹[Would it not be very much better to use the following nomenclature:

"The Estimates"—to include both "estimates of expenditures" and "estimates of revenue," which are prepared by the several services, reviewed by the Minister of Finance, printed in the "book of estimates" and laid before the legislative branch for critical examination, inquiry and discussion.

"The Budget"—the financial plan of the Ministry, which is submitted and explained by the officer or Prime Minister who makes the budget speech.

"The Appropriation Bill"—the formal project of law laid before the legislative branch for enactment, and the "Act of Appropriation" the formal legislative authorization for expenditures.

"Revenue Bills" and "Borrowing Authorizations," with appropriate titles for corresponding "acts," such as the "Food Act of 19—" or the "War Loan Act of—"

There is endless confusion resulting from using the word *budget* to mean any one or all of these things; and here it is used by the author to mean a section of the Appropriation "Bill" or "Act."—The Editor.]

² It was the budget bill for 1892 which, for the first time, substituted the name of "General Budget" for the name of "Ordinary Budget."

³ The decree of May 31, 1862, furnished no definition of any of the budgets, neither the ordinary, extraordinary, special resources or

THE BUDGET

nition. Strictly speaking, there should be only a general budget; it does not seem logical that the State should exercise other than normal functions. Many countries, in fact, have but one budget, and it will be easy to show that in France the extraordinary budgets, the annexed budgets and the budgets of special resources are, or have been, quite unnecessary.

But, it may be objected, is it possible to determine exactly the list of functions belonging to the normal activities of the State? Fortunately the question does not present itself in this way, for it would be impossible to answer, as there is no formula which would make it possible in a few words to settle the controversy.¹ It is enough to say simply that only those activities which the framers of the budget themselves consider as qualified to be included among the normal functions of the State should be entered in the general budget.

This is undoubtedly the idea of the French legislator. When, in 1862, the extraordinary budget was separated from the ordinary budget, the deputy who reported for the Commission of the Chamber of Deputies defined the ordinary budget as follows:

Definition

"The appropriations of the ordinary budget," he said, "will provide for the *obligatory and permanent* undertakings, insure the payment of the debt, provide for the carrying out of the laws, the administration of justice, the collection of revenues, the defense of the territory." (Report relating to the budget for 1863, June 3, 1862.)

The phrase, "obligatory and permanent undertakings," used in the report of 1862, and frequently repeated since, is almost synonymous with "normal activities of the State,"

annexed budgets. Under the circumstances the definitions would not only possess an academic interest, but they would permit the methodical classification of each budgetary operation, and assign it to its proper category. See what we have written on this subject in *L'économiste français* of December 10, 1881. The new rules of accounting, which are in the course of preparation, will some day undoubtedly fill this gap.

* M. Paul Leroy-Beaulieu has devoted a large and excellent volume, which everybody has read, under the title *L'état moderne et ses fonctions*, in order to determine the real attributes of the State, taking into consideration the various times and circumstances in which every nation has found itself.

CONTENTS OF THE [FRENCH] BUDGET

which phrase, however, has the merit of expressing a more theoretical idea. We can, therefore, adopt the following definition: "The general budget provides for the carrying on of services which are among the normal functions of the State."¹

PRECEDENCE OF EXPENDITURES OVER REVENUES IN THE GENERAL BUDGET

The general, or ordinary budget, was previously divided into two sections: One devoted to expenditures and the other to revenues. Since 1889 all the subjects of the ordinary budget have been included in a single section; subsections, however, continue to separate the expenditures from the revenues and now, as always, the expenditures precede the revenues.

This precedence of expenditures constitutes an essential principle of public accounting and it is necessary to search out the reason. Why does the State begin by estimating its expenditures, while all private individuals follow the reverse order? The father of a family first sums up his revenues, and then decides as to their application. The State could calculate in the same way, if it still lived on the proceeds of its own domains. But for a long time the domains, particularly in France, have furnished only a small part of the budget [revenues]; taxes almost exclusively supply the budget with funds. The taxes do not yield an invariable spontaneous sum anticipated in advance; they produce what is demanded within the limits of the taxpaying ability of the citizens. The State takes its money from the pockets of the people, which is not the case, or, at least, is not customary with individuals. This prerogative, therefore, imposes upon the State the obligation to determine the amount needed in order to estimate the sacrifices which the State will have to demand of the taxpayers. "The expenditures to be made serve as a measure and a justification for revenues," said M. Passy, Minister of Finance, in the National Assembly in January, 1849, repeating what the Constitutional Assembly had proclaimed in 1790.

In this session, January 31, 1849, the question which occupies

Reverse
Procedure
to That
Followed
by Indi-
viduals

Necessity
for De-
termining
Needs
First

¹ We purposely endeavor to eliminate as many words as possible from definitions of our own making, in order to avoid dangers inseparable from prolixity.

THE BUDGET

Argument
in Favor of
Determin-
ing the
Possible
Revenue
First

us was exhaustively discussed. The opponents of the principle formulated by the Minister of Finance set forth the following arguments: "I demand," said M. Billaut, "I demand particularly that the question of the maximum possible revenue be submitted to the Assembly and to the Government, so that this limit shall make its official and necessary weight felt in the deliberations relating to expenditures." Thus, the members of the Opposition in 1849 affirmed that there is a maximum limit of taxation and that this limit had been reached at that time and even exceeded. According to their contentions, it was necessary to study the budget of revenues first, from this point of view, and, as soon as it was brought to its proper level, the ministers would be forced to economize in order to maintain the equilibrium of the budget. "The Minister of Finance shall have charge of making the budget of expenditures agree with the budget of revenues." This was the title of the amendment supported by Messrs. Billaut and Stourm,¹ and opposed by M. Passy.

This theory, rather political than financial, was based on an erroneous idea. The course of the financial history of France has proven that the 1,500,000,000 franc budget of 1849 did not constitute an impassable barrier. From the moment the taxes fail to yield the amount needed, it becomes necessary to look beyond; which means that the need for expenditures is the only thing that fixes the limit. The State first determines its needs: the taxpayers will pay for them subsequently. Even in Prussia, where the revenues are presented first, and in Belgium, where the revenues are voted on first, the expenditures have precedence in the minds of those who prepare the budget; this precedence, although conforming to the requirements of logic, is dangerous.

¹ The Opposition demanded that economies be made in the sum of 140,000,000 in the Department of War; 32,000,000 in the Department of the Navy; and 50,000,000 in the Department of Public Works. The Opposition insisted that these economies be made by the ministries themselves and not by the Chamber, which is deprived of every competence as to the details, and which, moreover, could only give orders which would be reluctantly carried out. The previous reduction of the budget of revenues should have compelled the ministers to make the demanded reductions of expenditures in their respective departments.

CONTENTS OF THE [FRENCH] BUDGET

DETAILS OF EXPENDITURES ENTERED IN THE ORDINARY BUDGET

In conformity with this theory, the first article of section I, *General Budget*, bears the heading: *Open Appropriations*. Its first article reads: "Appropriations are open to Ministers for expenditures under the general budget for the fiscal period 19—, in conformity with schedule A, annexed to this law."

Let us comment on this sacrosanct text. Every [estimate for] expenditure emanates from one of the ministers. To be a minister means, more or less, to be the one who determines the amount of disbursements. The function of each minister, therefore, is determined by the annexed schedule A, to which the first article [general budget] relates; this annexed schedule contains a considerable number of figures, each grouping of which composes a ministry with subdivisions, called *chapters*.

To present them by *ministry* and by *chapter* is the required form for the budget of expenditures, adopted to conform to the votes of the legislature, as will be explained more fully in Chapter XIII. In this consists the importance of schedule A.¹

Besides schedule A, to which Article 1 refers, the details are recapitulated to show the totals of budgetary expenditures in the second paragraph. This statistical recapitulation contains the following five main headings: (1) public debt; (2) public authorities [overhead expenses]; (3) general [departmental] activities of ministries; (4) costs of administering, levying and collecting taxes and public revenues; (5) reimbursements, restitutions, uncollectable taxes (*non-valeurs*) and premiums. The detailed figures of these statistics,² according to the budget for 1913, are given later, together with comments thereon.

Principal
Subdivi-
sions of Or-
dinary Ex-
penditures

¹ Schedule A, which contains a list of all the expenditures of the general budget by ministries and by chapters to which, during the several months, the debates and legislative votes will refer, possesses not only great importance, but also great size. Almost a thousand headings and figures are written on its 31 pages.

² The appropriations are applied as follows:

1. To the Public Debt to the amount of	1,290,418,000 francs
2. To the Public Authorities to the amount of	19,973,000 "
3. To the General Services of the Ministries	2,684,434,000 "

THE BUDGET

**Provisions
for Meet-
ing Public
Debt**

The total of the public debt, amounting to 1,290,500,000 francs, includes three heads: (1) the perpetual, consolidated debt, which, since the last conversions, is composed only of 3 per cent bonds; (2) the debt reimbursable on a fixed date, or by serial bonds, which is composed of amortizable bonds, short-term obligations, subsidies to various societies, railroad companies, interest on the floating debt, etc.; (3) finally, the public service debt, the most of which is made up of pensions, civil and military.

**Cost of
Regular
Departmen-
tal Activi-
ties**

The 2,684,000,000 francs for the general [departmental] activities of the ministries represent the operation of the heavy machinery of the State; the other divisions relate to maintenance, and to the expenditures of the past. Only a little over half the budget works efficiently. These 2,684,000,000 francs have, in fact, the purpose only of paying the expenditures of the ministries of War, of the Navy, of Public Instruction, of Justice, of Public Works, of Foreign Affairs, etc., in a word, all the expenditures of what are called, properly or otherwise, the normal activities of the State.

**Cost of Col-
lecting Rev-
enues**

The 621,000,000 francs, costs of administering the collection of taxes, are only expenditures for maintenance. Taxes do not come in of themselves; in order to collect them from the taxpayers and to put them in the Treasury, certain efforts are necessary, the cost of which, in personnel and material, amounts each year to almost 14 per cent of the collected proceeds.¹

**Reimburse-
ment of
Over and
Double
Payments**

Reimbursements, restitutions, uncollectable taxes (*non-valeurs*) and premiums represent routine expenditures, deductions from the collections. Certain indirect taxes, in case they were unduly collected, are returned in full to the injured party, either voluntarily or through a judgment of the court. In case certain items are uncollectable, through no

4. To the costs of administration, collection and application of taxes and public revenues	621,977,000 francs
5. To reimbursements, restitutions and non-valeurs	47,836,000 "

General total in conformity with the total of schedule A annexed to the present law 4,664,640,000 francs (Text of the second paragraph of the first article of the budget plan for 1913.) The figures of the text for the last portion are replaced by zeros.

¹ Including the purchases of raw materials intended for the monopolies.

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fault of the collectors, the Treasury stands the deduction. In case certain products on which taxes were collected are exported, the amount is returned to the exporters by means of a rebate. With regard to other products, the fact of their leaving the State causes the payment of a premium. Furthermore, the State refunds to certain interested parties the collections made for their account.¹

Finally, 19,000,000 francs go to high public authorities—salaries and annuities of the President of the Republic, senators, deputies, etc. In this item the Republic effects an economy by not paying the Civil List.

These five statistical divisions, inserted at the end of the first article [the General Budget], make up a total of 4,664,000,000 francs, of which schedule A furnishes the details, arranged by ministry and by chapters.

Two principal footings stand out conspicuously in this summary: the total of the public debt; and the figure for general [departmental] activities of the ministries, amounting altogether to 3,974,000,000 in a budget of 4,664,000,000.

DETAILS OF REVENUES ENTERED IN THE GENERAL BUDGET

Taking up the subject of revenues in the General Budget, we notice at first glance the absence of direct taxes,² which, not being able to wait for the vote on the fiscal law, are passed in advance. Before the fiscal year opens, a long delay is necessary in order to give time to the *conseils généraux et d'arrondissement* to assess and equalize their quotas and give to the agents of direct taxes time to make out the assessment rolls; this requires from four to five months. In July, therefore, the legislature finds itself compelled to let the direct taxes take an isolated course. This is done by a special law, which is detached from the general plan.³

Levy of Direct Taxes

¹ As far as the fines and confiscations are concerned, for example, which the Treasury collects in total, a portion is restituted to the officials who drew up the minutes, while another part is eventually turned over to the informers who have betrayed the fraud; still another part is turned over to the pension fund.

² In 1889 and in 1893 the direct taxes were exceptionally entered in the general budget itself because the budgets for 1890 and 1894 were voted on in the month of July and the deputies were in a hurry to return to their respective electoral districts for the general elections.

³ For a long time the Minister of Finances, not wanting to bring

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Authority
to Collect
Separate
from Levy

This segregation is objectionable because it cuts the budget in two and destroys its unity. Thus, in 1890, the law on direct taxes having announced a reduction in the real estate tax, it became necessary to specify that the loss resulting from this reduction would be made up by *revenues to be determined* when the second part of the fiscal law came under consideration. The same situation arose in 1898, when a reduction of the small real estate quota was proposed. Owing to this segregation, there are, therefore, two fiscal laws.¹ Let us note this article of the law on direct taxes:

“The assessment rolls, prepared in conformity with the present law, shall not be approved and executed by the prefect and shall not be collected until the law determining the revenues for the fiscal period . . . shall have authorized their collection.”²

about a possibility of a delay on the part of the Chambers, continued to include the direct taxes in his general budget plan, leaving it by deference to the Commission on Budget to separate the direct taxes from the budget. Later, when the certainty of delays became evident, the Minister of Finance decided to draw from the beginning two distinct plans. Finally, since 1906, the direct taxes have again been entered in the general budget, from which they are extracted for the purpose of forming a special plan.

¹ “It is to be regretted that the law on direct taxes had to be detached from the general budget. Your Commissions on finance have at all times emphasized the inconveniences of such a procedure.” (Report of M. Boulanger in the Senate, July 30, 1890.)

² This article was inserted for the first time in the law on direct taxes in 1889. “The preliminary vote on direct taxes,” said the Senator reporting to the Commission on Finances of the Senate, “is necessitated only by the need that the Assemblies of the *départements* should establish bases for the distribution and should know the number of the *centimes additionnels* before the end of the year. It suffices, therefore, to limit the special law to this subject. It is useless and also dangerous to extend this law to the collection of the tax. The right to collect the tax should be reserved for the vote on the general financial law of which this right is an essential element.” (Report of M. Ernest Boulanger, July 11, 1888.) Léon Say in 1878 inaugurated a new wording in the law itself on direct taxes; this new wording he justified as follows: “At the time I was Minister, in 1878, I asked the legislature to introduce a change in the text of the laws on direct taxes. Until then that kind of law was so worded that the direct taxes shall be ‘collected’ according to bases which have been already established. . . . I have asked that instead of putting the words ‘collected’ there should be put the word ‘assessed,’ which would mean that the authorization preceding the general vote on the budget should be given only to the establishing and not to

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Thus the first law is attached to the second, without, however, eliminating this duality. Generally speaking, under the budget law revenues require authorization and estimating.

The fiscal bill [act] grants, first, the following authorization to collect taxes: "In conformity with existing laws, the collection of various dues, proceeds and revenues enumerated in schedule F annexed to this law shall be continued for 1913." The annexed schedule to which the article in question of the fiscal law refers, gives, by name, without adding any figure, the list of all the revenues to be collected for the benefit of the State, and with each the date of the laws under which these revenues were originally authorized.¹ Thus, every kind of revenue is submitted to a vote of the legislature [each year] in order to affirm the right of the representatives of the country to pass on the taxes. All collections, other than those which are thus sanctioned, are illegal.

Estimating [the amount which the revenues will yield] follows the authorization to make collections; we have insisted on exact estimates, so that that necessity becomes immediately manifest. The following article adds: "The ways and means applicable to the expenditures of the general budget for the fiscal period 1913 are estimated at 4,665,108,000 francs, distributed as follows."

In order to carry out the announced distribution, other annexed schedules take up the list of public revenues, providing them with individual estimates. To each item of revenues is added a figure, and the total of these figures makes the 4,665,108,000 francs mentioned above.

The revenues in these tables of estimates are classified as follows:²

1. Direct taxes.³
2. Indirect taxes.³

the collecting of the direct tax." (Speech of Senator Léon Say, December 27, 1887.)

¹ Since the aforesaid schedule must sum up various direct taxes, the total number of authorized taxes amounts to almost 190.

² This classification of revenues was inaugurated in 1886 in the budget plan for 1887, which was presented by M. Carnot, Minister of Finance, with the cooperation of M. Chevrey-Rameau, then chief of the cabinet of the Minister, later Director General of Public Accounting, who, unfortunately for his friends and the Administration, died prematurely.

³ The direct and indirect taxes are combined at present under a single head which has the following title: *Taxes and revenues*; thus,

Cannot Collect Till After Budget Passes

Estimates of Amount to Be Realized Follows Authorization

Classification of Estimates

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3. Proceeds of monopolies and industrial pursuits of the State.
4. Proceeds and revenues from the domains of the State.
5. Various proceeds of the budget.
6. Exceptional resources.
7. Routine revenues.

Direct Taxes

Direct taxes head the list; the figures given are those of the special law bill which are restated. They include the assessed taxes (real estate, door and window tax, personal and property tax), proportionate taxes (house and trade licenses), and taxes similar to direct taxes (mortmain, mines, billiards, clubs, carriages, horses, etc.). Their proceeds, estimated at 616,173,000 francs in 1913, belong exclusively to the general fund applicable to the needs of the State. The *centimes additionnels* allotted to the *départements* and to municipalities, amounting to from 516,000,000 to 517,000,000 francs, are not included; they were formerly shown in the budget of special resources.

Indirect Taxes

The indirect taxes and revenues represent 2,677,000,000 francs, or, in other words, four times the amount of direct taxes. Their collection is entrusted to three large fiscal administrations, viz.: the Department of Registration and Stamps, the Department of Customs and the Department of Indirect Taxes.

Proceeds of Monopolies

"The proceeds of monopolies and industrial pursuits" were separated, for the first time, in 1887 from the indirect revenues, because "they did not possess the character of taxes and because they represented the value of goods delivered or the price of a service performed." (Statement of supporting arguments of March 16, 1886.) The goods in question are: tobacco, gunpowder, matches. The services rendered are: transportation of mails and printed matter, telegraphs, etc. Their gross proceeds were more than 975,000,000 francs.

Proceeds and Revenues of State Domains

The proceeds and revenues from the domains of the State total only 68,105,000 francs. Of this sum the proceeds and revenues from forests amount to 34,000,000 francs. The balance results from the sales of furniture, from the escheating of estates, sales of immovables, etc.

Under the heading "various proceeds of the budget"—

the present budgets contain only six subdivisions of the budget of revenues. We preserve, however, the subdivision into direct and indirect taxes, because it facilitates explanations.

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amounting to 68,178,000 francs—are grouped revenues of no special classification, such as proceeds of the tax on patents, profits made by the *Caisse des Dépôts et Consignations*, the income from convict labor, the reimbursement of expenditures for control and supervision over railroads, the proceeds from sales of Government publications, the income from the sale of the insignia of the Order of *Mérite agricole*, the reimbursement of advances to neighborhood roads and educational establishments, etc. Under this heading are entered all the revenues escaping the avidity of the ministries; this is done by virtue of the principle of comprehensiveness treated in Chapter VI.

Various
Proceeds of
the Budget

The exceptional resources vary. In 1890 they did not exceed 767,000 francs; in 1891 they increased to 27,175,000 through taking into the budget certain balances of loans. In 1892 there was an item of 11,450,000 francs, resulting from the liquidation of the Army endowment fund. In 1896, a total of 37,500,000 francs came from the minting of silver, taking advantage of the legal limitation on accounts in the *Caisse des Dépôts et Consignations*, etc. In 1897 no amount is given under this heading; the same is true in 1900. In 1906 33,480,000 francs are shown from balances of loans and sales of bonds. In 1908 an issue of 56,500,000 francs of short-term obligations was entered as exceptional resources in order to balance the budget. In 1909 there were only 3,000,000. In 1913 161,000,000 were deducted from the notorious provisional account (*compte provisionnel*), which was organized in 1912. Finally, the routine revenues, amounting to 96,550,000 francs, form the last paragraph inaugurated like the preceding one, by the budget plan for 1887. According to whether they meet these expenditures in total or partially, they have different names.

Exceptional
Resources

Routine
Revenues—
Deductions
From Ex-
penses

The routine revenues, which only partially meet the expenditures, are called *revenues for the reduction of expenses* (*recettes en atténuation de dépenses*). The statement of supporting arguments on the budget for 1887 defined them as follows: "Revenues having a character related to corresponding expenditures, which must be entered in the budget at a net figure after the quota of revenues intended for the offsetting of these expenditures has been deducted." Among others, may be cited as an example, the deductions (*stop-pages*) for pensions of civil employees, amounting to 38,000,000 francs, which partially offset 117,310,000 francs of ex-

Those Gov-
erning Ex-
penses in
Part

THE BUDGET

penditures relating to the same subject, and carried as a part of the life debt. The same holds true of the reserves for the salaries of army officers, maintenance fees of pupils in government schools, the receipts for meeting expenses of the floating debt, the proceeds from universities, the proceeds from penalties and fines, etc., which partly offset the corresponding appropriations.¹

Those Completely Offsetting Expenditures

As far as routine revenues are concerned, which balance not partially but wholly the corresponding expenditures, they are called *routine expenditures proper*.

These are "revenues which offset the corresponding expenditures exactly, and which being of indirect interest only to the finances of the State, might be eliminated from the budget without altering its equilibrium."² (Statement of supporting arguments of March 17, 1886.)

The same is true of the 3,512,000 francs of expenditures for the Guard of Paris, which sum is repaid in total by the City. Similarly the various expenditures for the Department of Justice, for the *Gendarmerie*, etc., are reimbursed to France by the Government of the Bey; the same is also true with regard to funds *de concours*, etc. The statement of supporting arguments on the budget of 1887 reads as follows:

"These revenues are entered in the budget simply because of the rule (Article 16, of the Decree of May 31, 1862), which prescribes that the total amount of all the proceeds shall be entered as revenues, and all the costs of collection, administration and of other accessory disbursements be entered as expenditures."

In this connection we find the principle of universality (comprehensiveness), explained in Chapter VI, put in practice.

¹ The comments on the budget should, for every one of the reduced revenues, indicate in a footnote the total of the corresponding expenditure in order to emphasize the net balance which the reader at times has difficulty in discovering himself.

² The comments on the budget for every one of the reduced revenues should indicate in a footnote the total of the corresponding expenditures in order to emphasize the net balance which the reader at times has difficulty in discovering.

CONTENTS OF THE [FRENCH] BUDGET

The above provisions constitute the essential and permanent skeleton of the plan for the budget of revenues. The budget law, however, includes in the section under the heading, *Authorized Taxes and Revenues*, numerous articles relating to imposition and reduction of taxes. Suggestions of this kind, which change each year and are exceptional, cannot possibly be analyzed in this connection.¹ We must, however, avail ourselves of the opportunity to question the expediency of their being included in the budget. Evidently the inserting in the fiscal law of certain fiscal collections of an administrative and secondary nature gives no ground for objection. Fundamental reforms, however, and the establishment of new systems should always be based on special laws. The budget law, in fact, has no other mission than to "authorize" the collection of revenues of the future fiscal period and to "estimate" their proceeds in conformity with existing organic laws, the dates of which the fiscal law gives specifically in its annexed schedules. The installation of changes and the imposing of taxes of any importance in the codes, therefore, rest with the organic laws, for, after these laws have once been passed, the budget has only to receive its annual *exequatur*. In a word, the fiscal law is an "annual law," and should make no stipulations beyond the limits of one year.

Question as
to Whether
These
Should Be
in Budget

Additional reasons make the strict application of this rule desirable; these reasons are founded on the routine of legislative work proper and on the necessity of voting the budget without delay. Thus, of late years, even as late as 1908, we have seen the Chambers—after having attempted to introduce in the budget great fiscal and other reforms—finish the work only to be "dissolved," worn out by the struggle, much to the benefit of the fiscal law.

Recapitula-
tion of
Comment on
the General
Budget

Recapitulating, the ordinary budget—when considered from the point of view of its structure and now called the general budget—appears to be very simple: In this budget the expenditures are presented first and are arranged by min-

¹ This observation applies to several budgets of the last few years, particularly, however, to the plan for 1897, which in 78 articles contained a complete outline of fiscal reorganization together with the creation of the lump tax on the revenue; it applies also to the fiscal law of February 26, 1901, which in 19 articles changes the very basis of the laws on inheritance and transfers, and also to the law of March 31, 1903, which in 18 articles installs a new system relating to alcohol, etc.

THE BUDGET

istries and by chapters; moreover, the commentators, and not those who prepared the budget, make the distinction between the estimated appropriations and the limited appropriations. The revenues are first authorized, then estimated according to different systems, the most perfect of which seems to be that of direct valuation, in those countries which can adopt such a system. Finally, the bringing together of the revenues with the expenditures, results in what is called the equilibrium of the budget.

SECTION II [OF THE APPROPRIATION BILL] ANNEXED BUDGETS

Contents of
the Annexed Bud-
gets

Following section I [of the Appropriation Bill], which is devoted to the General Budget, section II of the fiscal law—with the heading, “Annexed Budgets, to order (*pour ordre*) attached to the General Budget”¹—includes a series of small special budgets with the following titles: Issuing Money and Minting Medals; National Savings Banks; National Printing Office; Legion of Honor; Fund for Invalid Sailors; Central School of Arts and Crafts; Railroads and the Port of *la Réunion*, State Railways, etc.

In 1913 there were nine of these small budgets; there were eight in 1909; previously the telephones constituted a tenth branch; a few years ago there were only seven small budgets; this is not, however, the crucial point of the question. The question at issue is: Why should these branches of the service in question be separately classified, regardless of whether they number seven, eight or nine?

Each State
Enterprise
Has its
Separate
Budget

The contention is that the principle of universality [comprehensiveness], perfectly proper in the ordinary budget, does not fit the *industrial pursuits*, which must be treated in the accounts from the commercial point of view. That is, the accounting must bring revenues together with the proper expenditures in order to make the annual balances show a profit or a loss.

¹ In former times the annexed budgets were called “special services attached by order to the budget.” In order to avoid any possible confusion with the special activities of the Treasury the fiscal law for the fiscal period of 1881, dated Dec. 22, 1880, introduced the present title: “Annexed budgets attached by order to the General Budget.” The law of July 9, 1836, which regulated the fiscal period 1833, first ordered the special services to be attached to the general budget.

CONTENTS OF THE [FRENCH] BUDGET

From this our definition may be deduced. The annexed budget specializes the revenues and the expenditures of the various enterprises administered by the State.

Immediately, however, another question is raised. Why should the seven, eight or nine pursuits cited above enjoy the privilege of specialization as industrial enterprises, while many others, not less industrial, are carried in the general budget, as, for instance, the manufacturing of tobacco, gun-powder, matches, playing-cards and maps, posts, telegraphs and telephones? Why the one and not the other? Why some and not all? Why should any of them have this privilege? Before trying to answer this question let us review the various annexed budgets, the list of which has been given above.

Why Part
of State
Enterprises
So Treated

The *Central School of Arts and Crafts*, founded by private initiative in 1829, managed by a private society until 1857,¹ passed into the hands of the State on the condition that "the proceeds of the School should not be merged with the revenues of the Treasury, but should be applied to meet the expenditures of the establishment." The law of June 15, 1857, while ratifying the agreement made between the founders of the institution and the State, reproduces verbatim this stipulation which in part justifies the creation of the present branch outside of the budget.² It is, however, necessary to state that this is the only case of that nature.

Central
School of
Arts and
Crafts

The *National Printing Office* has been complained of by independent printers, who claim to turn out just as good work at lower rates than the Government shop. The latter, by virtue of its monopoly, takes away from them the Government business and they claim that this in no way benefits the

National
Printing
Office

¹ The Central School of Arts and Crafts was founded in 1829 "by four young men united by a common thought, which was elaborated after long consideration." (Speech of M. Dumas at the fiftieth anniversary of the school on June 21, 1879.) These four young men were: Théodore Olivier, Pécllet, Martin Lavallée and Dumas. Until 1857 the founders and their successors insured by the efforts of their private initiative the progress and the high reputation of the establishment, which enjoyed a full and steadily growing prosperity, when by the law of June 15, 1857, it was made an establishment of the State.

² To a certain extent it would have been sufficient, in order to respect the wishes of the founders, to have opened a special line among the items in the budget of revenues and also a special line in the chapter devoted to the Ministry of Public Instruction in the budget of the expenditures. Then the general financial statement every year would have brought the revenues and expenditures together in its statistics.

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taxpayers; liberty and equal opportunity is their slogan. By decree of April 1, 1887, a commission was organized, the purpose of which was to examine into these grievances and to make an investigation as to whether the State should discontinue this enterprise. The commission, however, refrained from voicing any such far-reaching decision. (Report and decree of August 28, 1889.) The very fact that there has been constant agitation on the part of interested parties ever since the year IV of the Republic¹ shows that the State for more or less legitimate reasons exceeds its power in this particular.

The Public
Telephone
Service

The *telephones*, after having been bought up and monopolized by the State, were included among the annexed budgets, beginning with the fiscal period 1891. (Law of July 16, 1889.) The irregularity of this classification needs no demonstration, since the Chambers, as a result of numerous protests raised by their members and suggested by the Minister of Finance² himself, have definitely decided that the annexed budget of the telephone administration has no right of existence.

"By adopting the principle of budgetary unification, we affirm that the telephones constitute a public service. In the beginning it was possible to misapprehend their real character . . .," said the statement of supporting arguments on the budget for 1893, drawn up by M. Rouvier, March 10, 1892.

This argument should logically have brought about the abolition of almost all annexed budgets. The law of December 26, 1892, limited itself, however, to making the following stipulation: "Beginning with the fiscal period of 1893, the annexed budget of telephones is and shall henceforth be discontinued. The entries of revenues and of expenditures of

¹ "Thus organized, the National Printing Office has run for seventy years, but has not enjoyed a quiet existence, 'for it has been the object of attacks and discussions. . .'" (Report of the Commission on Budget, July 25, 1894.)

² "There is no more reason for making an annexed budget for the telephones than a special budget for tobaccos, or for any other industry which forms a part of the administration of the State . . . as soon as we admit the necessity of an annexed budget for telephones, we have to admit the necessity of an annexed budget for posts!" (Speech of M. Léon Say during the general discussion on the budget for 1891, October 27, 1890.)

CONTENTS OF THE [FRENCH] BUDGET

the said budget shall be incorporated in the general budget of the State."

The *railways and the Port of la Réunion* were at first turned over to an industrial corporation (law and agreement of June 23, 1877). As a result of its not living up to the conditions of the contract, the State at present handles the administration in conformity with the stipulations of the law of July 17, 1889 (Article 33), and of the decree of October 29, 1889; this is, however, only a temporary solution of the question. The word *temporary*, repeated in all preceding documents, precludes criticism. Since 1889, however, there has been plenty of time to wonder why a temporary arrangement should still persist.

Railways
and the
Port of La
Réunion

The railroads in France were turned over to private corporations by the law of 1842, but the State entered the field in 1878; the State now owns a system of railroads of more than 2,500 kilometers. The *State railways* undertake to render to the country services of a threefold nature: technical, commercial and military. (Report of the Commission on Budget for 1888, November 29, 1887.) Without entering into the heated discussions which take place each year in the legislature over the contention that State railways pretend to render services at the expense of the taxpayers, it is sufficient to comment on the following phrase, which is customarily used for the purpose of justifying the institution: "One of the principal advantages which the Government derives from owning a railroad system is that it is thus possessed of a field for experimentation entirely its own." (*Idem.*) If it were only a question of having a *field for experimentation*, or, in other words, if it were a question of a temporary institution, the classifying of the State railways among the annexed budgets would be excusable, for then the railways would be outside of the ordinary budget because of their precarious condition. But if, contrary to this expectation, the institution shall indefinitely continue its experiments and become a normal activity of the State, the rules of a sound financial policy would require that the ordinary budget should assert its rights with regard to that institution, as is the case in other countries. In Prussia, the administration of State railways, far more important than in France, forms, with the total of its revenues and expenditures, a part of the ordinary budget. We have seen that even in Belgium the ordinary budget includes the Ministry of Railroads, Posts and Telegraphs.

Argument
Favoring
the Special
Funding of
Railroads

THE BUDGET

These reflections, applicable to the old system of State railways, apply with more force to the system bought up from the Western Railway Company, which, beginning with 1911, increased the annexed budget in question by 550,000,000 francs.

The *Fund for Invalid Sailors*, organized by Colbert, has maintained its autonomous existence, with varying fortune, since 1675. At different times, however, in spite of this supposed autonomy, the State has taken possession of the funds which constitute the patrimony of this institution on the condition that the Public Treasury, for a consideration, should become the debtor of the fund in case the latter should be dissolved. The fund in question, however, is fixed, and the State pays to it an annual subsidy of 15,595,000 francs, according to the budget of 1913.

The Legion
of Honor

The *Legion of Honor*, established in 1802, provided with a special endowment (Law of the 29th Floral, year X of the Republic), receives, besides the revenues resulting from its original endowment and from various other resources, a supplement of over 12,000,000 francs furnished by the ordinary budget of the State. The Legion of Honor provides for the payment of salaries to its members and to the holders of military medals, provides for paying the expenditures of the educational institutions of Saint-Denis and of Ecouen, etc. It has often been suggested that the Treasury should pay *direct* the salaries, subsidies and relief-moneys carried in the budget of the Legion of Honor; the deputy reporting on the budget for 1908 even suggested that it might be expedient to attach the educational institutions of Saint-Denis, Ecouen and les Loges to the Ministry of Public Instruction as university establishments. Then, the Legion of Honor could be taken off the list of annexed budgets, which, after all, may happen some day.

Gunpowder
Monopoly

The service of manufacturing *gunpowder and nitrate of potassium* was put into an annexed budget by articles 32 *et seq.* of the law of July 13, 1911. Is it expected that its exodus from the general budget will in any way at all remedy the corruption which has so deeply stirred public opinion?

The Mint
and Postal
Savings
Bank

Moncy and medals are minted by the State by virtue of a sovereign right and the *Postal Savings Bank* organized in 1879 constitutes a subsidiary of the general administration of Posts. The questions asked in the beginning of this review have, as yet, not been answered.

CONTENTS OF THE [FRENCH] BUDGET

Not only is the independence of these annexed budgets contrary to reason, but objections to them have long been apparent.

A deputy reporting on the fiscal law said: "The separate existence of annexed budgets makes them objectionable in two particulars: they destroy the unity of the budget, and render control over their operations more difficult." Those accounts are dangerous which withdraw a portion of the public funds from the guarantees of the law.¹ "Because of this alone, the administration of these budgets is not always conducted with the necessary consideration for the interests of the Treasury. . . . There is little consideration for the equilibrium, because the majority of these budgets are regulated by means of subsidies from the Treasury."²

Two Objections to Special Funding

Already many of these annexed budgets have been attached to the general budget; for instance, the budget of telephones,³ which was mentioned above, and others mentioned in the general financial statement. It is possible that a new attempt to bring about a complete budgetary unity will definitely abolish the entire scheme.

The annexed budgets are still to be described from the point of view of accounting. These are "specialized" services [that is, they are financed by means of special funds]. Each

¹ The *general financial statement* explains every year that its official tables do not include the operations of the annexed budgets, "because the latter submitted to a special régime are carried out outside of the sphere of the Minister of Finance by special accountant officers who are not compelled to submit to the general administration of public accounting periodical statements." (General memorandum on budget accounts.)

² In a speech, supported by ample documentary evidence, delivered on December 27, 1911, M. Jules Roche demanded of the Chamber the reintegration of the annexed budgets into the general budget. It is a most remarkable thing that the principle of the reform was not contested by the speakers who replied to him.

³ Until 1885 the general financial statement reproduced the list of special services and annexed budgets which were successively attached to the ordinary budget. Among the fugitives which have thus returned to the common domicile, let us cite the following: the service of verification of weights and measures (1826), the collections and disposing of the proceeds from the tax on patents (1834), the resources and expenditures of the primary normal schools (1839), the proceeds and revenues of Algiers (1840), the revenues and expenditures of universities (1862), etc. These examples show how many services would like to establish themselves outside of the budget if permitted to do so.

THE BUDGET

Accounting Features

one of them forms a distinct personality, the revenues for which are brought together with the expenditures in order to show the balance. Leaving out of consideration interest on invested capital, which is contrary to good business practice, this balance means for some of the services a surplus of revenues and for others a surplus of expenditures. The surplus of revenues is included in the general budget; the surplus of expenditures is covered by appropriations of the same budget. Thus, owing to this shifting of entries, the budget of every annexed service is balanced.¹

¹ The following are the figures in francs, equal in revenues and in expenditures, of each of the annexed budgets in the budget of 1913:

Coining money and minting medals	6,762,500
National Savings Bank	61,600,190
National Printing Office	8,102,600
The Legion of Honor	16,913,637
Gunpowder and nitrate of potassium	37,146,328
Fund for Invalid Sailors	25,562,659
Central School of Arts and Crafts	800,772
Railways of <i>la Réunion</i>	4,342,500
State Railways	661,990,300

Total of the annexed budgets in revenues and in expenditures	823,221,486
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CHAPTER IX

CONTENTS OF THE [FRENCH] BUDGET (CONTINUED)

Section III. Special Provisions: Character of Items Included.

Section IV. Means [Continuing] of Operating and Annual Provisions [Terms and Conditions Attached to the Budget]: Three Classes of Items; Provisions Relative to the Treasury: To Meet Floating Debt; To Meet the Floating Debt of Paris; To Pay Short Term Obligations; The Continuing Appropriations of the Budget: Amount Required to Meet *Crédits D'Inscription*; The Authorized Naval Program; Amounts Required for School Building Plan; The Internal Improvement Program; Capitalization of Railways by Agreement; Advances for Additions and Betterments; Terms and Conditions Attached to the Budget: Provisions Covering Prorogation; Material for Executive Branches of the Navy; Documents to Be Submitted; Collection of Taxes; Recapitulation.

Annexed Documents; The Two Kinds; Documents the Result of Tradition: Comparative Summary of Revenues and Expenditures; Details of Estimates for Expenditures; Financial Statements; Documents Required by Statute; Report on Licenses; Schedule of Personal and Property Taxes; Report on Lodgings; Tobacco Licenses; Official Salaries; Materials Furnished to Vessels Under Construction; Supporting Data.

The amounts of the revenues and of the expenditures having been determined by the General Budget (section I) and the Annexed Budgets (section II), the remaining sections of the fiscal law have only to deal with sundry matters. Many important measures, however, are concealed under this generic title of *Sundry Provisions*. It therefore becomes necessary to study them with more care than their designation as *sundry* would suggest.

These *Sundry Provisions* fill two sections of the fiscal law: those designated *Special Provisions* (section III) and the part which bears the title *Means of Operations and Annual Provisions* (section IV).

SECTION III. SPECIAL PROVISIONS

Section III of the budget for 1913, bearing the heading "Special Provisions" and inaugurated by the budget law of

THE BUDGET

April 13, 1898,¹ includes everything which has been inserted once for all in the fiscal law. It can be said that this section contains: "the provisions introduced for the first time in the fiscal law and not intended to be inserted in this law every year."

Character
of Items
Included

Choosing our examples from the fiscal law of 1908, we find in section III matters relating to the amortization of the loan which was made on the occasion of the expedition to China; there is also a provision for a new system of accounting for the gifts and bequests given to the State or to the various public administrations; there is, too, a provision adopted for obligatory assistance to old people, which entails supplementary expenditures; a provision relating to the daily allowance allotted to families of reservists and to soldiers of the territorial Army entitled to subsidies for their families during the time they are called to the colors for purposes of drill; there is also an advance of 25,000,000 francs which was granted to the General Government of Indo-China; also allowances allotted to officials of certain post-offices, and a supplementary allowance to post-office agents who handle public funds over their counters, etc.

This summary, although incomplete—section III of the budget [Act of Appropriation] for 1908 contains 29 articles—suffices to show the nature of the "special provisions," many of which influence the budget because they result in expenditures.

SECTION IV. MEANS [CONTINUING] OF OPERATION AND ANNUAL PROVISIONS [TERMS AND CONDITIONS ATTACHED TO THE BUDGET]

Section IV [of the Act of Appropriation] under the title "Means of Operation and Annual Provisions" requires a somewhat longer explanation.

Three
Classes
of Items

Speaking generally, the subject matter of this section may be characterized as follows: "the clauses which it contains are intended to be included each year in the fiscal law of which they form an integral part." In order, however, to grasp the nature and the importance of these clauses a general definition

¹ Until 1898 only one section with the following title, "Means of Operations and Various Provisions," combined the two sections which are now separated.

CONTENTS OF THE [FRENCH] BUDGET

is not sufficient. Let us divide them, therefore, into three categories instead of analyzing them at random, just as they are enumerated under 21 heads in the budget for 1908 and in the 26 heads of article IV of the budget for 1913, and let us emphasize in succession: (1) the provisions relating to the Treasury; (2) the provisions [continuing appropriations] of the budget; (3) [terms and conditions] routine or formal provisions.

Provisions Relative to the Treasury: The provisions relating to the Treasury deal with treasury bonds, bonds of the City of Paris, and with short term obligations.

The bonds of the Treasury are: "interest bearing securities, redeemable after a term of from one month to one year,¹ which the Treasury sells over its counters." They constitute, as we shall see, one of the elements of the floating debt. Each fiscal law must determine the maximum amount of these issues. The law of July 9, 1902, at the time of changing the rate of interest from 3½ per cent to 3 per cent increased this maximum to 500,000,000 francs and the law of April 13, 1911, to 600,000,000 francs. In fact, the [outstanding] issues do not reach these limits. In October, 1895, the treasury bonds in circulation did not exceed the sum of 227,000,000 francs; on July 1, 1905, there were 346,736,000 in circulation; on May 1, 1907, the sum of 415,000,000; on April 1, 1912, the sum of 235,924,000 francs.

To Meet
Floating
Debt

Besides the treasury bonds put into circulation by virtue of the annual article of the fiscal law, other bonds are permanently deposited with the Bank of France as collateral for advances of money made by the latter, as a result of the agreements of 1857 and 1878 and for a new advance of 40,000,000 made in 1897, the total was brought to 200,000,000 francs by the law of December 29, 1911.

The issue of municipal treasury bonds of the City of Paris is specially authorized by the fiscal law, because, as a matter of principle, municipalities are not supposed to cre-

To Meet
the Float-
ing Debt of
Paris

¹ The rate of interest on Treasury bonds running for from 1 to 3 months, to 6 months to 1 year, varies constantly by category according to the locality and the more or less pressing needs of the Treasury. These rates are determined by orders of the Minister of Finance, and were of late determined as follows:

1½ per cent for bonds of from 1 to 3 months.

1¾ per cent for bonds of from 3 to 4 months.

2 per cent for bonds of from 4 months to 1 year.

THE BUDGET

ate floating debts. It is, therefore, an exception which has been admitted for the benefit of the City of Paris since 1859; this exception is ratified by section IV, which limits the maximum of the issue to 40,000,000 francs.

To Pay Short Term Obligations

"Short term obligations" are "securities redeemable at a fixed date after one or several years (generally six years); these securities with coupons attached are sold by the Treasury over its counters." Without going into the history of short term obligations—they were first issued in 1875, at the time of the preparation for the second payment [on the German Indemnity], to which account they were one of the main contributory elements. They have been used for various purposes, and are included for two reasons in section IV of the present fiscal laws. The first article authorizes the Minister of Finance to provide for the redemption of obligations which are to fall due during the year, by means of an issue of new obligations of the same kind. This means that in case of failure to pay cash for the securities which fall due, the securities can be refunded. The second article allots the surplus of revenue ascertained at the close of the fiscal period to the redemption of obligations which are in circulation. Among the exceptional resources of 1908 there was an issue of 56,500,000 francs of short term obligations, intended to make up the deficit in the normal revenues. In 1913, the provisional account provided for wiping out the deficit.

The Continuing Appropriations of the Budget: The [continuing appropriations] provisions forming the second subdivision of provisions relating to the Treasury apply either to obligations to be met under [continuing] appropriations or to obligations to be met for [previously authorized] works to be done.

They apply to obligations to be met under [continuing] appropriations as a matter of law, such as pensions, neighborhood-roads, the establishment and construction of schools, when the Minister is authorized to incur obligations involving a certain fixed amount to be charged against the appropriations of the current fiscal period or of the *following fiscal periods*. They apply also to obligations incurred for works carried out by the State or caused to be carried out with funds other than its own, the amount of which funds the State will reimburse by means of long-term bonds.

The obligations relating to pensions are called *crédits d'in-*

CONTENTS OF THE [FRENCH] BUDGET

scription, which must be distinguished from the *crédits de paiement*. The latter only fix the annual amount of arrears to be paid to the living pensioners or to those who take their place when vacancies occur; these are the appropriations of the general budget, schedule A section of the public debt. New needs, however, may arise and render the *crédits de paiement* insufficient. Then the *crédits d'inscription*, within section IV, authorize the Ministers to approve and to have entered in the ledger the new pensions which exceed the vacancies; these are supplementary pensions to be paid later by means of the *crédits de paiement*, either as an additional charge against the current fiscal period, or as a charge against following fiscal periods.¹

Amount
Required
to Meet
*Crédits d'In-
scription*

As far as naval constructions are concerned, an article of section IV, shown in an annexed schedule, determines the names and the types of vessels which the Minister of the Navy can order constructed in the yards by private industrial concerns, and gives the appropriations to be allotted to each vessel, either in the current fiscal period or in the *following fiscal periods*. Thus, the entire naval program is outlined with its required appropriations for several years. Generally speaking, all the large programs of national defense and of public works, which exceed the budgetary limit of one year, are placed in section IV. We shall return later to this kind of authorization.

The Au-
thorized
Naval Pro-
gram

In the same way the ministers are authorized to incur obligations for an amount fixed by section IV, with regard to subsidies intended for the construction of neighborhood roads, for school buildings, for primary and secondary instruction; these obligations must be charged "either against the appropriations made by the current fiscal law, or against the appropriations to be made in the budgets for the following fiscal periods." As a matter of fact, it is necessary in the case of these *subsidies* that the interested parties, generally the municipalities, which have charge of carrying out the work, be informed as to the dates and as to the amounts that are to be paid.

Amounts
Required
for School
Building
Plan

¹ "The name *crédits d'inscription* is given to the appropriation which appears in the last section of the budget, and is a real supplementary appropriation, voted in advance, because it was anticipated that the number of pensions would exceed the number of vacancies made available through expiration." (Speech of Deputy Jules Roche, who reported in the name of the Commission on Budget, February 7th, 1889.)

THE BUDGET

For a long time the ministers have made such agreements with no preliminary authorization and without restriction as to amount. But abuses were discovered and during the past few years the law itself has regulated the matter.

Thus, the first obligations entered in section IV concern appropriations authorized for a period exceeding the current fiscal period, and constituting charges against future fiscal periods, for which the fiscal law as a matter of principle can make no stipulations.

Then follow stipulations with regard to works to be done.

An Internal
Improvement
Program

In former times chambers of commerce, cities, *départements* [provinces]—in order to expedite the construction of works in which they were interested, such as new buildings or improvements of ports, irrigation canals, canals, rivers, etc.—offered to the State under the name of “contributory funds” (*fonds de concours*) either subsidies or advances. The fiscal law, in a special article of the last section, authorized the use of these funds. Thus, for 1891, 13,500,000 francs worth of works carried out with the funds contributed or loaned in the above way were authorized; for 1892, works to the extent of 11,521,500 francs were authorized. Then the figures began to decrease; only past commitments were liquidated; since 1905 no authorization of that nature is to be found in section IV. In fact, the Government, acting in concert with the commissions on budget and with the chambers, has abandoned the system of disguised loans from cities and corporations. Agreements made with railway companies, however, require the entering in section IV of obligations relating to works. The agreements of 1883 allowed to the large companies 8,500 kilometers of new railroad lines; the outlay for construction and initial equipment was estimated at 2,600,000,000 francs.

Capitaliza-
tion of Rail-
ways by
Agreement

How were these 2,600,000,000 to be paid? “The expenditures for the construction of the lines should be charged to the State,” said the arguments in substance; the companies were supposed to furnish only “subsidies” fixed at 25,000 francs per kilometer for the greater part of the new lines; these subsidies were also fixed at a lump sum in the case of the Northern Railroad and of the Orleans Railroad; the entire balance, that is, the larger part of the expenditure had to be borne by the State.¹ The latter, fearing repeated loans,

¹ The 2,600,000,000 francs which the companies must put at the dis-

CONTENTS OF THE [FRENCH] BUDGET

negotiated directly by the Treasury, preferred to entrust the companies with negotiating the loans for the State's account, taking upon itself to reimburse these loans to the amount of their bond emissions by annuities, including the interest and the amortization of the advanced fund.

This concise statement shows the nature of the annual provisions which section IV contained with regard to the agreements for 1883. The moment the State, although in a roundabout way, actually pays the major part of the building costs of the new lines, there rests with it the right to regulate them. Because of the fact that the extent of the works to be done is reflected in the figure of annuities to be entered in the budget of expenditures, the fiscal law must determine their maximum. Therefore, the following article is included in section IV:

"The works to be carried out in the course of the year . . . either by the railroad companies or by the State, with the help of advances which these companies put at the disposal of the Treasury, in conformity with the agreements ratified by the laws of November 20, 1883—shall not exceed the maximum of . . ."

In 1891 and in 1892 this maximum was 160,000,000 francs. Reduced gradually, in 1906 it totalled only 67,000,000 francs; in 1909 to 63,000,000; in 1913 to 80,000,000.

The same is true of the so-called "additions and betterments," that is, the works which railway companies undertake on lines already completed, construction accounts which have been closed; such additions and betterments are, for example, the improving of roadbeds, the enlarging of stations, the installation of signal systems, the reinforcing of rails, the enlarging of work shops, the adding of artistic features, etc. These are "new works undertaken or to be undertaken on already completed lines, which works may

Advances
for Addi-
tions and
Betterments

posal of the State are distributed as follows according to the original estimates:

Reimbursements of guarantees of interest.....	550,400,000 francs
Special subsidies (Northern and Orleans Rail- roads)	130,000,000 francs
Subsidy of 25,000 francs per kilometer.....	195,000,000 francs
Funds advanced to the State.....	1,724,000,000 francs
Total	2,600,000,000 francs

THE BUDGET

operate to increase the capitalization of the establishment, as originally fixed." As the guarantee of interest by the State is calculated on the basis of the original capitalization, the fiscal law must fix the amount. Thus, section IV determines for every railroad company the nature and amount of additions and betterments to be charged to the capital account during the course of the fiscal period: 35,000,000 francs in 1891; 50,000,000 in 1892; 70,000,000 in 1906; 92,000,000 in 1908; 107,000,000 in 1909; 125,000,000 in 1913.

Provision
Covering
Proroga-
tion

Terms and Conditions Attached to the Budget: We have mentioned above the *routine or formal provisions*. This class is headed by the list of voted works for which additional appropriations can be made by the Government during the prorogation of the Chambers. An annexed schedule comments on this list which will be considered in Chapter XVII, where we shall speak of Additional Appropriations and of the law of December 14, 1879, which regulates them.

Material
for Ex-
ecutive
Branches of
Navy

Another article of section IV determines the value of the material to be furnished to the executive branches of the Navy for their use during the year; this article is called *appropriations of materials*.

Documents
to Be
Submitted

Still another article refers to an annexed schedule included in the fiscal law and in which appears a list of all the documents which the various ministries must submit periodically to the Chambers in order to justify the carrying out of certain works. The number of these documents in the budget of 1913 is 48.

Finally, we have the last article of the fiscal law, a sacrosanct article, which, since the beginning of the Restoration,¹ has closed the series of sundry provisions, and, therefore, deserves to be quoted in extenso:

¹ This article reproduces almost verbatim article 32 of the law of April 28th, 1816, which has been repeated until the present day from one budget to another. In former times, the fiscal law of September 23, 1814, from the first return of the Bourbons, inaugurated this formula, but in a less complete form, in article 19, which seems to be interesting enough to quote for the sake of historical interest: "Every direct tax, other than the taxes imposed by the present, is, regardless of its purpose and regardless of its name, formally prohibited under penalty of prosecution on charges of extortion to be preferred against the local authorities who would impose such a tax, the officials who would make out the assessment rolls, and the collectors and revenue agents who would carry out the collections." (Article 19 of the law of September 23, 1814.)

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"All direct and indirect taxes other than those authorized by the fiscal law for the fiscal period 19—¹, regardless of the purpose and regardless of the name under which they are collected, are formally prohibited, under penalty of prosecution for extortion. Those liable to such prosecution are: the authorities who would impose such taxes, officials who would make out the assessment rolls and rates, and all those who would collect such taxes; an action for recovery within three years against collectors, revenue agents and all individuals essaying to collect such taxes, is not prejudiced by the above."

Collection
of Taxes

This formula includes the entire parliamentary theory of taxation.² The successive conquests of the *Etats Généraux*, the exclusive rights of the representatives of the nation, are affirmed and sanctioned with facility in this formula in a precise and effective way. Any authority attempting to collect taxes beyond the limits voted by legislature would be liable to prosecution on a charge of extortion; the accountant [accountable officer] who would carry out such collections would render himself liable to prosecution on the same charge without prejudice to an action for recovery which might be brought against him within three years. No agent can hide behind his orders and throw the responsibility on his superiors; the legislature holds each personally responsible, and every accountable officer, regardless of his rank, is directly amenable to the legislature which demands absolute obedience in these matters, from high and low throughout the entire official family.

Recapitulation: The articles of the fiscal bill—divided into four sections, as we have indicated, with their annexed official

¹ The date of the year for which the authorization is given has been added since the events of May 16, 1877. As the question of the refusing of the budget was raised at that time, some writers expressed the opinion that, strictly speaking, the Government may collect taxes without the vote of the legislature, because the previous laws have authorized the collections in a permanent way. In order to deprive such reasoning of every possible excuse, the fiscal laws have since specified in the final article the year to which the authorization exclusively applies.

² An analogous article would be necessary with regard to expenditures, as will be shown in Chapter XXV. The gap itself cannot be explained. If any one of those who prepared the budget would reread this final article before copying it, he undoubtedly would complete it.

THE BUDGET

schedules A, B, C, D, and the following¹—constitute, after they have been voted on, the complete text of the budget law. The Minister of Finance has thus completed his main work, the program of the financial destinies of the country, which the public always awaits with interest and which is to be the subject for numerous commissions, for public discussion and for votes of representative assemblies.

Before closing the study of the budget, let us furnish a statement relating to the contents of the volume carrying the fiscal bill.

ANNEXED DOCUMENTS

Having completed our considerations of the contents of the budget law, one other subject remains—that of “annexed documents”—the last thing inserted in the volume containing the law.

Of Two
Kinds

The part bearing the heading *Annexed Documents*² makes up a larger part of the volume than the other portions,³ although it is of much less importance. The selection of these annexed documents results from ancient traditions and from special legislative provisions.

Documents the Result of Tradition: Among those which are the result of tradition, we may cite the following:

Compara-
tive Sum-
mary of
Revenues
and Ex-
penditures

A comparative summary of the proposed revenues and expenditures with the revenues and expenditures voted for the preceding fiscal period;

A detailed table of proposed revenues, arranged by avenues for collection, preceded by a *preliminary note* which explains the system of estimating adopted, the results of the preceding fiscal period, and eventually the proposed legislative changes;

A detailed table supporting requests for appropriations,

¹ We emphasize in this connection that the *annexed schedules A, B, C, D, etc.*, form an integral part of the fiscal law, and should under no circumstances be confused with the *annexed documents*, which are but references.

² We combine under the name *annexed documents* what the volumes on budget call *annexes to the statement of supporting arguments, comments supporting the revenues* and finally *annexes in brief*.

³ The statement of supporting arguments and the text of the fiscal bill occupy from 150 to 190 pages in the budget volumes. The balance of about 2,250 pages is filled by annexed documents.

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arranged by ministries. This is the most extensive annex. A preliminary note—followed by a series of explanatory documents for each ministry—furnishes the information relating to the personnel or to materials, justifies the requested increases, and analyzes the appropriations not only by chapters but by the smaller subdivisions, such as paragraphs and articles [items]. Figures relating to works to which the legislature has to devote special attention are analyzed in minute statistical tables, particularly so far as the departments of War and Navy are concerned. The report of each ministry forms a separate part, the examination of which is facilitated by such segregation.

Details of
Estimates
for Ex-
penditures

Documents relating to the Treasury, annexed to the statement of supporting arguments, are made up under the main heads: table of the *découverts of the Treasury*, table of the *floating debt*, and the table of *special activities* of the Treasury; these three tables form the elements of the balance sheets of the Treasury and are analyzed later in Chapter XI.

Financial
Statements

Documents Required by Statute: The second category—composed of documents which by virtue of various special laws are inserted in the volumes of the budget—contains particularly:

A memorandum concerning the execution of the law on licenses (laws of July 15, 1880, and June 29, 1881); a schedule, arranged by *départements*, of changes made in the quotas of the personal and property tax (law of August 4, 1884);

Report on
Licenses

A detailed schedule of lodgings given in buildings under the supervision of the Administration of State Domains¹ (law of April 23, 1883, article 12);

Schedule of
Personal
and Prop-
erty Taxes

Report on
Lodgings

¹ The budget bill for the fiscal period 1887, submitted on March 16th, 1886, by M. Sadi-Carnot, suggested the discontinuation of the annual insertion of this schedule in the budget volume, stating quite justly that the reproduction of such long tables overloaded the budget uselessly and involved heavy costs.

It would be sufficient apparently to prescribe that this document be deposited with the libraries of the Senate and of the Legislative Body, where it would be kept handy for reference purposes. (Article 4 of the budget bill for 1887.)

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Tobacco
Licenses

Official
Salaries

A list, by names, of tobacco licenses granted during the course of the year (law of July 27, 1860, article 40); a list of prefects, subprefects, secretaries general, and councilors of the prefecture, who, for personal reasons, draw a salary exceeding the amount generally allotted to their place of residence; this list also includes the dates of appointments of these officials. (Fiscal law of February 26, 1887, Article 48.)

Materials
Furnished
to Vessels
Under Con-
struction

Various schedules relating to supplies for the Navy, to the vessels under construction, to the works in harbors, and to the working personnel. (Provisions of the annual fiscal laws inserted among the means of operations and sundry provisions, as indicated above.)

Supporting
Data

Moreover, the legislative commissions demand of the ministers the manuscripts of schedules and references which they deem necessary for purposes of control; usually the commissions insert these documents as a continuation of their reports.

In brief, the statement of supporting arguments, the text of the fiscal law and the annexed documents—three parts of unequal dimensions, and, above all, of unequal importance—compose the volume of the budget bill.

CHAPTER X

EXTRAORDINARY BUDGETS AND BUDGETS OF SPECIAL RESOURCES

History of Extraordinary Budgets in France: The Old Régime Eliminated from This Discussion; The Extraordinary Budget During the Revolution; During the Consulate; During the Restoration; The July Monarchy; The Law of 1837; The Extraordinary Budget to Be Met by Loans; Attempt to Reestablish; Reappearance of Characteristic Features; Arguments Supporting; Again Abolished in 1871; The Liquidation Accounts; Not a Complete Return to the Old Practice; Occasions on Which Extraordinary Budgets Have Lately Been Used; Definition of Same as Now Used in France.

Discussion of the Merits of Extraordinary Budgets: Necessary Expenditures Authorized; Funds Needed to Meet Great Emergencies; A Mistaken Notion That Such Occasions Necessitate an Extraordinary Budget; England Met Such Expenditures by Taxation; Optional Expenditures Authorized: Confined to Public Works; The Amount and the Time Discretionary; Should Not Be in Extraordinary Budget; The Extraordinary Budget Opens the Way to Subterfuge; Temptation to Abuse; Excuses Offered; Evils Pointed Out by the *Cour des Comptes*; Efforts to Have Practice Discontinued; In 1889 Limited to Emergencies of War; The End of Extraordinary Budgets in France.

Extraordinary Budgets Abroad: The Practice in England: Everything Included in the Budget; Works Funded with Loans; Separate Financing Opposed; Practice in Germany: Three Parts Opposed; Extraordinary Expenditures; Temporary Expenditures; The Extraordinary Budget; The Practice in Prussia; The Practice in Austria-Hungary; The Practice in Italy; The Practice in Russia; The Practice in Belgium; Adverse Comment on Practice There; The Practice in Japan.

Budget of Special Resources: Agency Accounts; Deductions from Revenues, etc.; Origin of Practice in France; Not a Part of State Finances; Charter of Items Included: Definition; Collections for Municipalities: Communes Control Their Finances; Collecting for *Départements*: Local Autonomy of *Départements*; The Fiscal Law of 1893; Reductions from Revenues, etc.

The ordinary budget has, so to speak, no history, because it is legitimate; its figures may change, but the institution itself

THE BUDGET

necessarily goes back to the very beginning of accounts.¹ The extraordinary budget, like a usurper, on the contrary, governs only at intervals.

HISTORY OF EXTRAORDINARY BUDGETS IN FRANCE

The Old
Régime
Eliminated
from this
Discussion

Under the old régime *extraordinary affairs* predominated constantly; it is sufficient to read the tables inserted in the works of Mallet and of Forbonnais, the accounts of Necker, Calonne and Brienne, in order to appreciate the truth of the above statement. We have described this system in detail in a special book.² Let us, therefore, disregard this period when budgetary rules did not exist.

The Ex-
traordinary
Budget
During the
Revolution

The Revolution was conducted almost exclusively on extraordinary resources. That work takes account of the billions realized by the issue of *Assignats*, by the sale of ecclesiastical property, of crown-property, of the property of the *émigrés* and of the condemned, by the melting of bells, the sale of spoils taken from churches, etc. Let us start at the beginning of this century [nineteenth].

During the
Consulate

The official accounts of the Consulate and of the Empire do not appear to have known extraordinary budgets. The fiscal law submitted each year to the legislative body had the appearance of unimpaired unity. But, besides the official accounts, an extraordinary budget—hidden, huge and handled by Napoleon himself—soon rose under the name of *Extraordinary Domain*. This extraordinary domain, supplied through victory and conquest, received the proceeds of contributions imposed upon vanquished nations, contributions levied in countries occupied by our armies, revenues from properties of the State situated abroad, etc.³ By means of this fund, Na-

¹[A literal translation of this clause is: "but the institution itself necessarily dates back to the very foundation of accounting." This would not seem to have been meant, since accounting began long before there was any semblance of a budget. It is assumed to be the purpose of the author to indicate that budget making as an institution rests on the principle of accountability, which is an essential fact.—The Editor.]

² *Les Finances de l'ancien régime et de la Révolution.*

³ See *Les Finances de la guerre de 1796, à 1815*, by M. De la Rupelle, in the *Annales de l'école des Sciences Politiques*, 1892 and 1893.

See also the interesting article in *La Revue des questions historiques* of January 1, 1908, in which M. Henri de Grimouard

EXTRAORDINARY BUDGETS

oleon endowed his generals and his soldiers, established a war fund in the cellars of the Tuileries, encouraged industry by loans made from this war fund and managed to conduct the wars of France with the balance of it. The *senatus-consultum* of January 30, 1810, when speaking for the first time of the extraordinary domain, limited itself to the statement: "Article 21. The Emperor *disposes* of the extraordinary domain." From the moment the Emperor himself disposed of it the entire matter passed beyond the limits of public accounting.

The Restoration, which established order in the finances, had no extraordinary budget, in spite of the expenditures involved in the liquidation of the debts of 1814 and 1815. The payment of the war indemnity, the maintenance of the army of occupation, the payment of arrears, etc., nearly always occupied their regular places in the general budget.¹ It goes without saying that two separate columns marked the distinction between the *permanent* expenditures and the *temporary* expenditures; the general total of the State budget, however, combined these expenditures.

During the
Restoration

Such was the case in 1823, when an extraordinary appropriation of 100,000,000 francs was voted at the beginning of the year for the purpose of meeting the expenditures of a war with Spain. In fact, the cost of the expedition reached

analyzes the operations of the extraordinary domain from 1805 to 1810 on the basis of documents of its treasurer de la Bouillerie, which were put at his disposal and which he utilized with very good results.

¹ By way of exception the fiscal law of April 28, 1816, stipulated: "the budget is divided into the ordinary budget and the extraordinary budget." (Article 16.) The revenues and the expenditures of the ordinary budget as a result thereof were separated from the operations of the extraordinary budget, without a general total.

The law of March 25, 1817, lost no time in combining the ordinary and the extraordinary budgets in a recapitulation worded as follows: "the expenditures entered in the three budgets mentioned in the following articles (special budget of the consolidated debt, of the sinking fund, budgets of ordinary and extraordinary expenditures) and forming together a total of 1,069,261,826 francs shall be paid. . . ." (Article 21.) Thus the budget for 1817 ends with a single figure.

In 1818 (law of May 15, 1818), in 1819 (a law of July 14, 1819), etc., the same formula continued to insure to the budget its unity. Besides all the laws regulating the previous fiscal periods, even the period of 1816, in spite of the exceptional classification of its budget, have totalized in a single figure all expenditures and revenues regardless of their respective sources.

THE BUDGET

203,476,000 francs, and the excess over the original 100,000,000 francs was covered by a loan. Although the Government was confronted by elements warranting the opening of an extraordinary budget, the general budget combined all the expenditures of the Spanish War and the regulations of each branch of the service, after having recapitulated the original and supplementary appropriations, summing these up in a grand total.¹

In 1828, 1829 and 1830 the Government of the Restoration provided by means of extraordinary resources² for the expenditures on armament necessitated by the Oriental question and by the expeditions to Morea and to Algiers; undoubtedly the section of the budget bearing the heading: "Expenditures for extraordinary services to be charges against the special fund of 80,000,000 francs, created by the law of June 19, 1828," first appeared at that time. But, even then, the general budget, notwithstanding this special subdivision, continued a complete unity.

The July Monarchy

The extraordinary budgets began to gain a foothold under the July Monarchy. The law of June 27, 1833, outlined a program for "public works to be continued or to be undertaken" by creating for the purpose the system of *annexed budgets*, according to which a special article of the fiscal law would determine each year not only the figures of the general budget, but also the amount of appropriations for the large public works. An amendment of Pelet (de la Lozère) suggested the combination which the Government and the Commission accepted, and which the Chamber voted in the following terms: "Article 14. The funds which may be put at the disposal of the Minister of Commerce and of Public Works each year shall form the subject of the special budget annexed to the budget of the ministry in question." The execution of the law of June 27, 1833, which was observed for several

¹ It is very true that the law regulating the fiscal period 1823 stipulated that "the ministers shall submit at the next session the account of their operations relating to the War with Spain." (A law of May 21, 1825, article 4.) These operations were originally confused with the operations of the general budget.

² These resources consisted particularly of the proceeds of a loan of 80,000,000, authorized by the law of June 19, 1828, and realized in 1830 (at 102 francs, 70 centimes, at 4 per cent) through the proceeds of an issue of Treasury Bonds and in the capture of the Treasury of the Regency of Algiers, which contained 48,402,241 francs, 41 centimes, in metal coins.

EXTRAORDINARY BUDGETS

years, subdivided in two untotaled parts the budgets for the fiscal periods 1834, 1835, 1836 and 1837. The operations of this law were definitely closed at the end of 1839 (Law of June 6, 1840).

In general, the attempt of 1833—which is unimportant so far as the figures are concerned (only about 14,000,000 francs per year were involved)—is ignored and the origin of the extraordinary budget is attributed to the law of May 17, 1837, which involved more considerable allotments (35,000,000 to 45,000,000 francs). This law expressed itself as follows: "An extraordinary fund intended for the carrying out of public works shall be created outside of the ordinary budget of the State." (Article 1.) Article 2 charged the Treasury with the task of providing the special budgets with funds at its discretion. This law of 1837, because of its manifestly extraordinary character, immediately shocked those who advocated budgetary unity.

The Law
of 1837

"Your Commission . . . opposes the law, of May 17, 1837, because this law is contrary to the rules of accounting . . . your Commission fears the lack of control in the determining of expenditures. The Commission is alarmed to find that no serious attempt has been made to provide ways and means to meet the proposed expenditures." (Report of M. Gouin on the budget for 1840, June 29, 1839.) "These considerations," the report adds, "were communicated to the Minister of Finance, who admitted the correctness of the principles of order and of accounting as accepted by the majority."

Opposition
by the
Budget
Commission

The law of June 6, 1840, regulating the budget of 1837, stipulated that:

"The extraordinary funds created by articles 1 and 2 of the law of May 17, 1837, for the carrying out of public works, and the appropriations made by the annual fiscal laws or by special laws for the purpose of meeting the expenditures caused by these public works are, and shall be, combined with the ordinary budget of the State." (Article 1 of the law of June 6, 1840.¹)

¹ The same law of June 6, 1840, also declared the closing of the annexed budgets which were established in 1833: "the special budget

THE BUDGET

The extraordinary budgets of 1837 existed for only two years, and the arguments set forth urging their abolition proved conclusively that proper theories of public accounting inspired the decision of the Chambers.¹

They were placed in the ordinary budget of the ministry of public works, in a second section which has survived through association with the extraordinary budget, when the latter had been reestablished. This second section of the ordinary budget of public works and then another section similar in character opened in the budgets of the ministries of war and navy were supposed to provide for all expenditures on all large works based on the law of June 23, 1841.²

The law of June 11, 1842, "relating to the establishment of large railroad lines," superimposed itself upon the organization created by the law of 1841,³ without modifying it.⁴ The law of 1842 established an extraordinary budget,

established by the law of June 27, 1833, shall be balanced and definitely closed at the expiration of the fiscal period 1839." (Article 16.)

¹ The reports of the Commissions of the Chamber of Deputies of M. Duprat and of the Chamber of Pairs of M. de Cambacérès expressly declared that the extraordinary budgets upset the order and the clearness of the general system of finances, favored dangerous irregularities and abusive shiftings of appropriations, etc. The expenditures are incurred without limit, without any serious examination and without estimating the resources by which these expenditures have to be covered. "On the basis of these motives the abolition of the extraordinary budget was demanded. This desire was heeded by the government. Thus the budgetary unity, which is in the interest of the order in our finances, shall be reestablished." (January 19 and June 1, 1840.)

² The law of June 23, 1841, declared: "The appropriations made for extraordinary works authorized by the above articles shall form the object of a distinct section and of a special series of chapters in the budgets of the ministries of public works, of war, and of the navy." (Article 5.)

³ The law of June 23, 1841, and the law of June 11, 1842, correlatively controlled all the large works of the last period of the July Monarchy, including a program of expenditures of more than one and a half billions, the carrying out of which involved, in February, 1848, almost one billion of actual expenditures.

⁴ Beginning with the fiscal period, 1844, inclusive, the second section of the ordinary budget of the ministry of public works was divided into two parts: (1) Extraordinary works authorized by the law of June 23d, 1841; (2) works on the large railroad lines authorized by the law of June 11th, 1842.

Items
Placed in
Ordinary
Budget

An Ex-
traordinary
Budget to
Be Met by
Loans

EXTRAORDINARY BUDGETS

but it did not even undertake to assign special resources to cover the new expenditures outlined in the program; only a series of appropriations to be met by funds obtained through the floating debt¹ was allowed; this became the cause of most serious troubles at the end of the July Monarchy, and was the reason that the overburdened floating debt failed to pass intact through the crisis of the Revolution.²

The first years of the Second Empire showed a great deal of regularity from our point of view. Thus, the expenditures of the Crimean War of 1854 and 1855, and those of the war with Italy in 1859, were regularly included in the general budget which they swelled beyond all measure.³

In 1862, however, the attempt of 1837 was renewed in a more complete and substantial way:

"There shall be created outside of the ordinary budget of the State a fund designated specially to meet the expenditures of the extraordinary budget. This fund shall be determined each year by the law authorizing the expenditures to which the fund shall be assigned." (Fiscal law of July 2, 1862, article 1.)

Attempt to
Reestablish

Here we find the characteristic features attributed to the extraordinary budgets: first, the putting aside, the isolation, pronounced in an absolute manner by the first words; then, the arrangement of a portion of related revenues and expendi-

Reappear-
ance of
Character-
istic Fea-
tures

¹ The law of June 11th, 1842, Article 18, reads as follows: "expenditures, authorized by the present law, which have to be charged against the State, shall be met by means of resources drawn from the floating debt."

² M. Thiers in a remarkable speech delivered in January, 1848, recapitulated in a very captivating way the operations of extraordinary works of the last eight years of the July monarchy and emphasized the dangers which were undoubtedly more imminent than he thought them to be.

³ The following statistics, taken from the general financial account, show the great increase of the budget resulting from the incorporation of the expenditures of the wars of the Crimea and with Italy:

Total of the Budget of Expenditures:

1853	1,547,000,000	francs
1854	1,988,000,000	"
1855	2,399,000,000	"
1857	1,892,000,000	"
1859	2,207,000,000	"
1860	2,084,000,000	"

THE BUDGET

tures intended to create the new budgetary equilibrium. The Government desired above all to conceal the increase of public expenditures by dividing their totals.¹ This, in reality, is always the purpose underlying the separation of the extraordinary budgets: they are made to delude the country. As always, however, some theoreticians have attempted to justify them in the name of public interest and of administrative logic; they claim that the customary expenditures of the country should not be confused with extraordinary efforts; in view of the fact that future generations will profit by the expenditures made for their benefit, nothing is more just than to draw up a separate account of these expenditures and to fund them, not by means of taxes, but by means of loans, the interest on which shall equally burden the present and the future, etc. M. Magne, Minister of Finance, spoke as follows in his most persuasive way:

Arguments Supporting

"In general, very little attention is paid to the functions of the State. While the State is supposed to balance its current expenditures with its ordinary resources, . . . it is a property owner and has movable and immovable assets which it is obliged not only to maintain, but to improve in the interests of the community as well as the individual. When the State procures for itself some resource in an extraordinary way, by means of loans, and fixes this resource in a definite kind of expenditure, the State has made an investment—a transformation of values; it has increased its immovable and movable assets as well as the movable and immovable assets of everybody. . . . There is, therefore, good logic not to confuse these two kinds of expenditure, those which disappear and leave to the future neither charges nor benefits; and those which consolidate themselves with and become part of the soil and thus increase the wealth of the State." (Legislative Body, April 6, 1869.)

We shall later discuss these special arguments.

The deputy who reported on the law of July 2, 1862, again enumerated all the matters which were intended to compose the new section of the budget.

¹ For the same purpose of segregating the ordinary budget, the law of July 2d, 1862, also established the budget on special resources, of which we shall speak later on.

EXTRAORDINARY BUDGETS

"The extraordinary expenditures include large public works, new constructions, temporary increases of our military force necessitated by the protection of our interests abroad. In a word, the extraordinary expenditures shall contain everything which, answering the needs of the moment and intended to disappear, is not included among the permanent expenditures." (Report of June 3, 1862.)

After the events of 1870-1871, the extraordinary budget, established in 1862, was abolished. Thiers, who was in charge of the finances, could not possibly have intended to uphold a budgetary subdivision, the abuses of which under the Empire he had condemned with so much ardor.

Again
Abolished
in 1871

"We all knew twenty or thirty years ago what our situation was," he said; "one had only to look at the first page of the budget to know all the expenditures, even the extraordinary ones and all the revenues. Even the most ignorant and the least attentive were aware of the situation. However, since our budget has been divided into several budgets, it has become very difficult to find one's way through them. . . . There is only one thing that is sincere, useful and which brings real benefit, that is, to have all the expenditures of the State, even the extraordinary ones, entered on one single table; all the revenues shall be entered on another single table; then the situation is clear."¹ (Speech of M. Thiers, Legislative Body, July 3, 1863.)

While the opening of a *liquidation-account*, as a result of our disasters, seemed to be exceptionally justified, the National Assembly intended to close it as soon as possible. This, however, was a delusion because the first liquidation-account,

The
Liquidation-
Accounts

¹ In 1871 Thiers thus branded the budgets of the Empire: "What were the budgets of the Empire? Well, gentlemen, the secret of submitting the budgets under the Empire was to divide the true budget—the only true budget is the budget which includes all the expenditures of the State—the secret of the submitting I said was to divide the budget into several parts so as to render the totaling up difficult or at least laborious and thus to deceive the country as to the nature and the extent of the expenditures which the country had to make. (Right, that's true.)" (National Assembly, June 20th, 1871.)

THE BUDGET

of 1872, was to be succeeded by a second in 1876, and this in turn, in 1878, by a budget of extraordinary resources.

The first part of the liquidation-account, from 1872 until 1875—devoted almost exclusively, in conformity with the stipulations of its organization, to the repairing of our losses and the rebuilding of our military forces—amounted to 827,500,000 francs. This was charged against the resources accruing from a portion of a loan to the Treasury by the Bank of France, against the surplus of revenues from the budget for 1869 and the proceeds of bonds of the Army Endowment Fund, and of the Sinking Fund, etc. The second part of the liquidation-account—from 1876 to 1878, devoted to the reëstablishing of our military and naval equipments—amounted to 1,104,161,000 francs. Its principal credit source came from the issue of six-year bonds.

In 1879, before the closing of the second liquidation-account, a like section was added to the ministry of public works; this section bore the heading: "Expenditures to be charged against extraordinary resources of the budget," that is, against the proceeds of thirty-year obligations created by the law of December 26, 1876. This was, however, not as yet an extraordinary budget. The liquidation-accounts themselves did not seem to have this character, or, at least, they form an exception to the classification, which we can ignore.¹ The one as well as the other, however, became the forerunner of the great innovation of 1878.²

Then, a real extraordinary budget was established in our budgetary accounting. Already the law of June 11, 1878, had created the 3 per cent sinking fund bond. The law of De-

Not a
Complete
Return to
the Old
Practice

¹ M. Léon Say, however, said in 1882: "The first liquidation-account was nothing but a budget based on extraordinary resources, and I believe that the budget which I am presenting to you today does not differ very much from the point of view of its form and of the principles of public accounting from the extraordinary budget which we had then." (Expressions of assent.) (Chamber of Deputies, session of July 27th, 1882, speech of the Minister of Finance.)

² M. Paul Boiteau in his article on the general budget of the State in the *Dictionnaire des finances* endeavors to show that the budget on extraordinary resources established in 1878 was not the continuation of the liquidation-account, but only the extension or rather the separation of the appropriations of the second section of the ministry of public works. "If the extraordinary budget seems to be the result of the liquidation-account, its affiliation is not based on anything but on the fact that the liquidation-account ceased to exist the moment the extraordinary budget was established."

EXTRAORDINARY BUDGETS

ember 22, 1878, which determined the budget for 1879, did not ordain in a solemn way the opening of an extraordinary budget and did not specify the innovation in any of its articles.¹ The law limited itself to putting it into practice, by including among its sections a new one under the heading: "Budget of Expenditures to be Charged Against Extraordinary Resources."

Occasions
on Which
Extraor-
dinary
Budgets
Have
Latterly
Been Used

Later, the budget of extraordinary resources, instead of continuing to form a section of the fiscal law, constituted openly in 1887, 1888 and 1889 a special law in itself. From the first this budget had its own total, which was not added in any recapitulation to the totals of other budgets. This was the extraordinary budget, such as we have described above, and such as might be defined, on the basis of these historical data, as follows: "The extraordinary budget provides, outside of the scope of the ordinary budget, for exceptional expenditures of the State."

Definition
of Same as
Now Used
in France

DISCUSSION OF THE MERITS OF EXTRAORDINARY BUDGETS

It is not advisable, in order to gain an understanding of extraordinary budgets, to discuss their merits, to examine into the reasons for and against their existence or to consider them *en bloc*; they are composed, or may be composed, of too many elements. It is necessary, therefore, to classify these elements. For this purpose, the expenditures of extraordinary budgets may be divided into *necessary, optional and abusive*.

Necessary Expenditures Authorized: First, what are necessary expenditures?²

Funds
Needed to
Meet Great
Emergencies

¹ If no new regulation had accompanied the creation of the budget on extraordinary resources, it could not be said that the establishing of it was surreptitious. On the contrary, it caused important discussions, first with regard to the law of June 11th, 1878, when the question arose of establishing "a financial instrument intended to meet large public works which the Government proposed to carry out in a period of 15 years." (Statement of supporting arguments of February 7th, 1878), and then at the time of the discussion of the general budget for 1879, in December 1878.

² The quotations which follow cannot be suspected of partiality, because they are taken from a speech of a protagonist of the extraordinary budget. (Speech of M. de Freycinet, Senator, in reply to M. Buffet, session of March 3, 1885.)

THE BUDGET

"There are times in the history of nations when it is impossible to meet certain expenditures by means of the ordinary budget. Necessary expenditures are those which result from events beyond the power of a nation to control—or, at least, the financial consequences of which cannot be escaped—as, for example, the war of 1870 and the enormous burdens laid on the country."

A Mistaken
Notion that
such Occa-
sions Nec-
essitate
Extraor-
dinary
Budgets

Thus, the first category is well defined. Imperative necessities, such as resulted from the war of 1870-1871, compelled the establishing of the extraordinary budget. In that way we have excused the liquidation-account of 1872. This account, however, while excusable, was unnecessary. It appears to us that it would have been better had it never been established; that it was not free from grave consequences. If the State, in case of war, finds itself compelled to resort to extraordinary measures, if the State is compelled to provide funds outside of the resources of its ordinary budget, this can be done without resort to an extraordinary budget. Thus, during the very years of 1870 and 1871, the costs of the war were included in the general budget, which in that way remained unified in spite of the events; its figures rose, of course, to an enormous total.¹ In the same way, the Crimean and Italian wars, although they occasioned exceptionally heavy loans, required no extraordinary budgets. In this connection, the word *necessary* must be eliminated.

Furthermore, it may happen—and it has happened, not in our country but nearby—that a great crisis may occur without necessitating extraordinary resources. Theorists and statesmen have thought that under such circumstances taxation alone should supply the treasury with funds, both in the interest of the finances of the country and in the interest of the moral side of the problem. We have Gladstone's utterance on the subject,² and, what is better still, during the

¹ The budgets of 1870 and of 1871 show according to the laws of regulation the following figures:

Fiscal Period	1870.....	3,430,130,000 francs
"	" 1871.....	3,374,792,000 "
"	" 1872.....	2,948,029,000 "

² "The expenditures of war," said Mr. Gladstone, "are the moral check which the Almighty has imposed upon the ambition of conquests . . . the necessity of providing year after year for the burdens which the war imposes is the natural and sure corrective of war enthusiasm." (March 7, 1853.)

EXTRAORDINARY BUDGETS

course of his administration, in 1854 and 1855, the costs of the Crimean War were almost exclusively¹ paid by means of tax increases. After his retirement from office, a loan, of course, paid England's balance of the cost of the war. While we contracted a loan of 1,600,000,000 francs for the Crimean War, our allies, who spent much more than we, demanded but 655,000,000 from the Consolidated Debt and 250,000,000 in bonds from the Exchequer for the same expedition. Still more recently, during these last years, England has paid through taxation almost the entire cost of the wars of Afghanistan, of Egypt, of Bechuanaland, etc. Even the South African War did not cause them to resort to an extraordinary budget; its enormous expenditures, however, swelled the general budget, which amounted to 4,700,000,000 francs for the fiscal year 1901-1902.

England
Met Such
Expendi-
tures by
Taxation

Again the term *necessary* is not justified.

Optional Expenditures Authorized: Optional expenditures "are essentially equivalent to expenditures for public works. I call those expenditures optional because they do not impose themselves inevitably. The Government is never absolutely compelled to make expenditures for public works, and, above all, it is not compelled to make them within a fixed period of time. The Government can, in this connection, extend the limit of time, which it has outlined for itself, in such a way that the expenditures contemplated in the extraordinary budget become optional with regard to the totals fixed for them."

Confined to
Public
Works

War and public works are, in fact, the two customary beneficiaries of the extraordinary budget; the expenditures for purposes of war are necessary; those for public works are optional.

The
Amount
and the
Time Dis-
cretionary

The latter are most elastic; they can be extended or con-

Adam Smith said: "The people who during the course of a war feel the burden very soon tire of it."

¹ M. Paul Leroy-Beaulieu in his *Traité de la science des finances*, after having analyzed the financial measures taken by England for the purpose of balancing the expenditures of the Crimean War, shows that it would be an exaggeration to affirm, as some writers have done, that its expenditures were entirely covered by taxation. This very instructive treatise does not fail, however, to admire the wise administration of the British Government which reduced to a minimum the part which the loan had in settling the expenditures of the war.

THE BUDGET

tracted, according to the whim of those in power. This can be seen by following the fluctuations of appropriations allotted in the extraordinary budgets for public works since 1878; they begin with 237,745,000 francs in 1879, reach a maximum of 539,221,000 in 1881; then fall off to 134,599,000 in 1887, and disappear in 1888 because in that year public works were definitely excluded from extraordinary budgets.¹

"The expenditures for public works," said the statement of supporting arguments for the revised budget of 1888, "have been classified in the budget of extraordinary resources as far as they manifestly have the character of expenditures for original construction or development, of temporary and not of permanent, of exceptional and not of normal expenditures. The balance of extraordinary expenditures for public works now seems to assume a new aspect . . . we did not hesitate to attach it to the ordinary budget." (Plan of July 5, 1887, submitted by M. Rouvier, Minister of Finance.)

Should
Not Be in
Extraor-
dinary
Budget

Being optional in character by no means compels classification in the extraordinary budget. If preserved in the general budget itself, the large exceptional works undoubtedly would have temporarily increased the total of expenditures; but subsequently their gradual decreases and their abolition would have put matters in proper balance after having caused only harmless fluctuations in lieu of a real disturbance, such as an extraordinary budget would have occasioned.

Unjustifiable Expenditures Authorized: Finally, expenditures classified as *unjustifiable* remain to be considered.

"I classify as unjustifiable all expenditures which should not find a place in the extraordinary budget. If the extraordinary budget is but a subterfuge to increase the resources of the ordinary budget in a roundabout way, I consider that all expenditures included for such reason

¹ We say "disappear," considering only the budget of extraordinary resources, because a large portion of the old expenditures continues to run by means of appropriations entered under the heading of the second section of the ordinary budget and by means of combining contributions (*fonds de concours*) furnished by railroad companies by virtue of agreements of 1883 and by various other interested parties.

EXTRAORDINARY BUDGETS

are improper and should disappear. The extraordinary budget should not serve as a cloak for unwarranted expenditures which the government fears to enter in the ordinary budget to which they belong because of their nature."

It is in this connection that extraordinary budgets reveal their dangerous character. No exact line of demarcation,¹ however, can be drawn between the ordinary and extraordinary budget; these two words have not as yet found a definition in the rules of accounting. Everyone thinks, therefore, that he has a perfect right to shift the limit according to his theories or to serve his interests. "The expenditures are ordinary," Léon Say always said, "when the Commission on Budget declared them to be ordinary; they become extraordinary when the Commission defined them as such."² This is a question of arbitrary decision.

The Extraordinary Budget Opens the Way to Subterfuge

¹ With reference to the Navy, the deputy reporting on the budget *precisely* says as follows: "In the nature of things, as far as the Navy is concerned, the ordinary budget and the extraordinary budget are connected and complete each other. . . ." No line of demarcation is drawn between these two kinds of expenditures . . . the rebuilding of the fleet, the replacing of antiquated types by modern types is a permanent obligation which logically has to be met by the ordinary resources resulting from taxation." (Report of deputy Ménard-Dorian, October 25th, 1887.)

In the same way with regard to the budget of the Ministry of War, the deputy reporting stated "that the amounts allotted to the extraordinary budget apply to the same chapters as the ordinary appropriations: stores, accouterments, artillery, uniforms, hospitals, etc., and that the temptation to pay with the funds of the one the expenditures of the other must be very great." (Report of Senator Loubet, February 14, 1887.)

² M. Léon Say, Minister of Finance: "Honorable M. Rouvier said yesterday that he sees no way to distinguish between the ordinary expenditures and the extraordinary expenditures other than by the vote of the Commission on Budget and that the expenditures are ordinary when the Commission has declared them to be such and extraordinary when they are classified as extraordinary."

M. Maurice Rouvier: "This is not my theory. I only say that because I heard M. Ribot say so."

The Minister of Finance: "I beg your pardon, because M. Ribot has denied that such is his theory. I had to fix it on you, otherwise this would be nobody's theory." (Laughter.) (Chamber of Deputies session of July 27th, 1882.) Without searching further for the origin of this statement, we must admit that unfortunately ordinary and extraordinary expenditures, through the lack of every regulation on

THE BUDGET

Temptation
to Abuse

From lack of dividing lines, there follows the almost irresistible temptation to charge ordinary expenditures to the extraordinary budget, which is supplied with funds by loan and displays more hospitality than its associate, which is provided with funds by taxation. The extraordinary budget receives all expenditures charged to it. It does not put the limit of *non-recevoir* to any expenditure, because it can be extended at will. The mass of projects which clamor for inclusion in the extraordinary budget nearly always succeed in being so incorporated.

In 1882, M. Léon Say, Minister of Finance, was able to suggest the reintroduction to the ordinary budget of 73,497,038 francs of expenditures, which in an irregular way had been entered in the extraordinary budget.¹ Until then, 73,500,000 francs of expenditures, classed as improper in accordance with the preceding definition, had been carried in the extraordinary budget.

Excuses
Offered

The ministers themselves, as a matter of fact, have admitted at times the abuses which they were about to commit, excusing themselves in advance on account of the necessity. A statement of supporting arguments, for a plan to acquire land and start a colonization scheme in Algiers, declares openly that it would suggest an irregular charge of 37,500,000 francs against the extraordinary budget, because, as this statement of supporting arguments admits, "the ordinary budget is unfortunately unable to stand such a considerable increase. We have, therefore, suggested that, until it shall be possible to proceed in a regular manner, this amount be charged against the resources of the extraordinary budget." (Bill of July 18, 1882.) In 1882 seven ministries—Interior, Posts and Telegraphs, War, Navy, Colonies, Public Instruction and Fine Arts, Agriculture and Public Works—succeeded in participating in the allotments of the extraordinary budget.

the subject, are distinguished in the first place by individual comments.

¹ The minister attempted to mitigate the irregularity committed by his predecessors: "We do not have to ask ourselves," he said, "whether it is an extraordinary expenditure which is renewed at undetermined intervals or whether it is an expenditure made once: we have to ask ourselves whether from the point of view of good financial order, and of exact distribution of burdens among the present and future generations, the expenditure shall be charged against the taxation account." In fact only 52,000,000 were taken off from the extraordinary budget.

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Each of the ministries successively acquired this privilege under some plausible pretext and was helped by the abundance of funds. While these intruders have been expelled, the abuse itself abides and is inherent in the nature of the institution; its reappearance must always be dreaded.

The annual reports of the *Cour des Comptes* have not failed to reveal the multitude of attempts at encroachments, particularly in the chapter under the heading, *Shiftings of expenditures from one budget to another*. They have pointed out the constant practice of charging against the funds of the extraordinary budget of notoriously regular expenditures, such as: gratuities to employees of the central administration, purchases of books for the library, subsidies to widows, rewards distributed among the agents of the Ministry in Paris on the national holiday of July 14, carpenters' work, subscription for telephone service, printing work, supplying of mineral oils for lighthouses, etc.¹ The administration in its replies confessed the fact of irregularity; then did the same things again the next year, only to make similar excuses.

Extraordinary budgets, as we have seen, exercise a magnetic influence on the ordinary budget, tending to disorganize it. Loans and taxation coincidentally cover expenditures which taxation alone should defray, and the principles of economy disappear in this confusion. We shall later find new proofs of this. Precisely these abuses eventually brought about the abolition of the extraordinary budget, suggested in the budget plan for 1887, drafted by M. Sadi-Carnot. While this suggestion passed unheeded, as well as a renewal of it in the budget plan for 1888, it finally triumphed as a result of persistent recommendations of the legislative commission:

"Your Commission renews this year the plea suggested by the preceding Commission in favor of an abolition of the budget on extraordinary resources within the shortest possible period." (General Report of the Deputy, Jules Roche, June 30, 1885.)

In 1889 the budget on extraordinary resources was limited to expenditures for war. It even lost for a while its name and was called: "Extraordinary budget of war for the fiscal period . . . (new endowment)." However, as the hook might some day serve as a point of attachment for an entire ex-

Evils
Pointed
Out by the
*Cour des
Comptes*

Efforts
to Have
Practice
Discon-
tinued

In 1889
Limited to
Exigencies
of War

¹ See Chapter XXVIII.

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traordinary organization, the budget plan for 1891 decided to put through a complete reform.

"The fundamental feature of the plan which we are submitting is the reestablishment of the unity of the budget. The only one of the extraordinary budgets still in existence, and which, as a matter of fact, is the most considerable one, the war-budget again enters in the ordinary budget. It is no longer possible to escape this reform." (Statement of supporting arguments by M. Rouvier, Minister of Finance, February 22, 1890.)

The Commission on Budget adopted the suggestion of the Minister of Finance:

"Your Commission on Budget thinks that the incorporation of the extraordinary expenditures of war should no longer be delayed. . . . The extraordinary budget of war, designedly temporary, has become a perpetual budget. . . . Your Commission has agreed with the Government to suggest the proper means to put into effect this necessary reform." (Report of Deputy Burdeau, July 3, 1890.)

The End of
Extraor-
dinary
Budgets in
France

The law of December 26, 1890—determining the general budget of expenditures and revenues for the fiscal period 1891, as a result of the above restrictions—carried no extraordinary budget.

Such was the end of the régime inaugurated in 1878. Since then we have had no extraordinary budgets. The second sections of the budgets of the Ministries of War and of Public Works, which still exist under the name of "Extraordinary Expenditures," are only subdivisions of the general budget.

The only infraction of the principle of budgetary unity at present lies in the non-incorporation of expenditures for railroads and a few other kinds of works. It is an open question whether the expenditures for works on railroads, carried out by virtue of the agreements of 1883, should be incorporated.¹ As far as other operations, classified outside of

¹ The report of the Minister of Finance submitted to the President of the Republic on March 20, 1902, admits that a rigid theory of the

EXTRAORDINARY BUDGETS

the budget, are concerned, they are already entered or are intended to be entered regularly, as has been the case since 1901, with the special account on armaments opened in 1898; thus, it can be said that—aside from the exceptions which do not affect the principle—budgetary unity has been realized in France since the abolition of the extraordinary budget.

EXTRAORDINARY BUDGETS ABROAD

The institution of extraordinary budgets, as above described, does not exist abroad.

The Practice in England: First, in England, accounting by administrative periods, which is in force in that country, demands budgetary unity. In fact, the revenues and the expenditures of the Exchequer necessarily include in their totals all operations transacted between April 1 and March 31 of each year. The *finance accounts*, which duplicate the books of the Exchequer, furnish the proof for our contention. Everything received or expended, under any head, during the year, is entered, without possibility of being put aside, in the balance sheet of the accounts of the Treasury.

Everything
Included
in the
Budget

This apparent unity of the operations of the Treasury, however, does not prevent certain enterprises from being exceptionally supplied with funds by loans and from forming a special category, if not in the budgetary tables, at least in the comments on these tables.

Thus, the Chancellor of the Exchequer—submitting his budget in April, 1905, after having stated that the expenditures for the year 1904-1905, which were charged against the normal revenues, amounted to 3,549,000,000 francs¹—did not hesitate to declare that it was necessary to add to the total 202,000,000 francs expended for works, *through the*

Works
Funded
with Loans

budget would require the incorporation of the expenditures for works on railroads, but assigned motives which would justify a conclusion to the contrary.

¹ These 3,549,000,000 francs of expenditures charged against the normal revenues include only the funds intended for the budget of the State. The Exchequer collects 245,000,000 more for the benefit of the local authorities, to which it returns the amount subsequently. This made already 3,794,000,000 francs. By adding to the above amount the 202,000,000 of funds resulting from loans, the total of revenues in 1904-1905 amounted to 3,996,000,000, as the Chancellor of the Exchequer declared in his financial statement of April 10, 1905.

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authorization of loans. The same works, *so authorised*, would expend, he said, 220,000,000 the next year, as estimated.

Capital outlays vary from year to year. In former times, the works—carried out by virtue of the *Imperial Defense Act* of 1888, the construction of barracks by virtue of the act of 1890, naval armaments under act of 1889—only caused the opening of accounts which were supplied with funds by loans.¹ The opening of these accounts, particularly that under the *Naval Defense Act* of 1889, met with considerable objection when it was submitted to the House of Commons; an amendment offered by Mr. Childers, former Chancellor of the Exchequer, supported by Mr. Gladstone,² declared “that the Chamber sees no reason for furnishing ways and means other than through the constitutional practice, which means by entering annual appropriations in the budget of expenditures.” This would have been the regular procedure. The Liberal Party, coming into power shortly afterward, lost no time in observing that:

“The 51,450,000 francs which were paid on the loan should not be forgotten. These 51,450,000 francs—added to the normal expenditures of 1892-1893, amounting to 2,259,000,000—increased the total expenditures of the year to 2,310,450,000 francs. A loan of 50,000,000 francs was placed last year, and for seven years loans amounting to 175,000,000 francs have been contracted. Let us hope that these appeals for appropriations will soon come to an end. This year, however, there is still need of contracting a loan of 37,500,000 francs.” (Statement of Sir Vernon Harcourt of April 24, 1893.)³

¹ The commission of accounts, however, recommended that four distinct accounts be opened for the Nile expeditions, the Soudan, Bechuanaland and for the defense of coaling stations abroad. (*Reports from the committees of public accounts*, 1888.)

² “What the opposition wants,” said Mr. Gladstone, “is that the needs of each year shall be provided for by the corresponding revenues.” (April 3, 1889.)

³ The naval defense act of 1889 covered a period of five years, during which 70 war vessels were built in the yards and more than half a billion francs were expended. At the expiration of the building period outlined by Hamilton, First Lord of the Admiralty in 1889, the Liberal Party, instead of continuing to finance themselves by means of loans, as was done by the Conservatives, deemed it more regular to charge the efforts of the country, with regard to naval defense, against the annual appropriations of the Navy. Thus the

EXTRAORDINARY BUDGETS

At the end of 1899 and 1900, a new account was opened to cover expenditures for the Transvaal War, which had been temporarily financed through an issue of treasury bonds.

Later, the total of expenditures from loans, according to the *finance accounts*, reached the amount of 138,875,000 francs. In 1912 there were only 111,300,000, distributed as follows:

Telegraph acts, 1892 to 1907.....	28,750,000	francs
Telephone transfer act, 1911.....	75,000,000	"
Military works act, 1897 to 1903.....	6,250,000	"
Public offices' site, Dublin, 1903.....	1,125,000	"
Divers	175,000	"

Total 111,300,000 francs

The existence of these sections of the budget, supplied with funds by means of loans, could be but temporary in England. In 1912-1913, as may be remembered, the 24,750,000 francs increase in the naval program, caused by a feeling of unrest in Europe, was authorized only by way of a supplementary appropriation to the current budget. In any case, these works, even though charged against funds resulting from a loan, did not deserve to be classified as extraordinary budgets, because their figures were merged in the total of annual accounts, the final addition of which reestablished the budgetary unity.¹

Practice in Germany: The budget of the German Empire contains three categories of expenditures: *ordinary*, *temporary* and *extraordinary*. Three
Parts to
Budget

Ordinary expenditures concern the public debt, the essential parts of the ministries of War, of the Navy, of Posts and Telegraphs, etc., the refunds to the Federal States, the funds of pensioners and invalids, etc.; in a word, all expenditures which have a well defined character of permanence. Ordinary
Expendi-
tures

Among the temporary expenditures, on the contrary, are entered those not likely to recur, marking a distinct effort— Temporary
Expendi-
tures

appropriations for the Navy amounted to 1,130,000,000 in the budget of 1912-1913.

¹ The recapitulating tables distributed in the English Parliament, as well as the finance accounts, carefully distinguish the expenditures charged against resources resulting from loans, from the expenditures to be charged against the revenue, although the expenditures are united by the same total.

THE BUDGET

one which may possibly be succeeded by a new effort of a different nature; this explains how the budgets, qualified as temporary, perpetuate themselves while continuing to deserve their name. The idea thus to classify temporary expenditures does not lack originality, because it permits a reasonable dividing line to be drawn between those which can be reduced and those which cannot; it would be difficult, therefore, to criticize this procedure unless it should affect the budgetary unity. In general, however, in Germany, the ordinary and the temporary expenditures merge regularly into one total, the total of the ordinary budget, of which both temporary and ordinary expenditures form an integral part. This is shown in the following table of revenues and expenditures for 1912-1913:

Permanent expenditures of the ordinary budget	2,844,000,000 francs
Temporary expenditures of the ordinary budget	512,000,000 “
Total expenditures of the ordinary budget	3,356,000,000 “
Revenues of the ordinary budget	3,356,000,000 “

There is still left, as a third category, the “extraordinary expenditures,” which means expenditures met by means of extraordinary resources, resulting primarily from funds obtained through loans. These expenditures are made for purposes of the Army, the Navy, railroads, posts and telegraphs, military expeditions, etc. In 1897, their amount did not exceed 36,688,000 francs. In 1895-1896 they amounted to 59,800,000 francs, a sum much under the 173,500,000 of the preceding year and the 231,750,000 francs of the years 1893-1894; one could easily be led to believe that the Empire was bent on reducing its extraordinary budgets, the dangers of which were manifest; the institution, however, possesses always a dangerous degree of elasticity; in 1899, the extraordinary budget amounted to 114,000,000; for 1905-1906 to 370,000,000; for 1908-1909 it amounted to 331,534,000. For 1912-1913, however, it reached but 168,000,000.¹

¹ For 1912-1913 the Secretary of State, Wermuth, shows in his speech of February 14, 1912, how he intends to improve the finances of the Empire by transferring many expenditures unduly entered in the extraordinary budget to the ordinary budget in order to succeed in curtailing loans.

EXTRAORDINARY BUDGETS

The extraordinary budgets of Germany are not isolated, as were the early French extraordinary budgets. On the contrary, their figures are connected with the figures of the ordinary budgets in a final recapitulation in conformity with the following example, which is taken from the budget plan for 1912-1913:

The Ex-
traordinary
Budget

Permanent and temporary expenditures	
of the ordinary budget	3,356,000,000 francs
Extraordinary expenditures	168,000,000 "
	<hr/>
General total of the budgets	3,524,000,000 francs

The Practice in Prussia: In Prussia, the extraordinary budget no longer depends on funds realized from loans, as in Germany, where the funds yielded through loans at times overlapped the ordinary budget. The surplus of revenues from the ordinary budget overlapped the extraordinary, so that the uniting of the two budgets is done under the most favorable conditions,¹ as in the following summary taken from the budget plan for 1912-1913:

Ordinary expenditures	5,091,500,000 francs
Extraordinary expenditures	285,000,000 "
	<hr/>
Grand total of expenditures	5,376,500,000 "
Total of revenues of the ordinary budget	<hr/> 5,376,500,000 francs

There are, therefore, no extraordinary budgets in Prussia.

The Practice in Austria-Hungary: In Austria-Hungary, the ordinary and extraordinary budgets are combined in a common budget, the total of which reached the amount of about 400,000,000 francs for the last fiscal period.

The Practice in Italy: Italy divides its operations into four heads: actual operations, railroad construction, transfer of funds and routine operations. With regard to actual operations, the ordinary budget presents on one side the revenues

¹ For 1912-1913 the extraordinary budget had to procure for itself 23,750,000 francs by way of a loan.

THE BUDGET

and on the other expenditures, with their figures of proceeds and of appropriations as they are received or paid out by the treasuries. The division of operations relating to railroad constructions separately classified all the subjects, which are indicated by its title. The shifting of capital fluctuates more or less, according to whether the wealth of the State is increasing or decreasing. Finally, the routine operations are described in conformity with the rules of comprehensiveness.

The following table gives an example of the construction of the last Italian budget :

Actual expenditures	2,181,952,000 lire
which are covered by 1,798,965,000 lire	
of actual revenues, thus leaving a sur-	
plus of 80,112,000 lire.	
Shifting of capitals, expenditures	218,685,000 "
Expenditures for railroad constructions	43,900,000 "
	<hr/>
Grand total of expenditures	2,444,537,000 lire

As far as the grand total of expenditures is concerned, it is offset by a grand total of revenues amounting to 2,499,-497,000 lire, which, as we have seen, are obtained almost entirely through the revenues of the ordinary budget; thus, a final surplus of 54,958,000 lire remains. Moreover, the transfer of funds for order amounts to 58,434,000 lire in the revenues and expenditures.

Thus, the Italian budget resolved itself into a single total of revenues and of expenditures which, it may be said, incidentally, has regularly shown, during the last few years, a handsome surplus. The divisions, therefore, which have been adopted by the Italian system of accounting and which have their own surpluses or their own deficits¹ do not interfere with the establishing of a budgetary unity.

The Practice in Russia: Russia, it is true, has an extraordinary budget, intended primarily to care for the expenditures involved in the construction of railroads. But, as

¹ Among these divisions, the division of railroad construction, which was formerly provided with funds from loans, was offset by the surplus of resources. It now shows a deficit, but this deficit is covered by actual revenues, which is to be preferred to the technical surplus of former times which resulted from funds obtained by loans.

EXTRAORDINARY BUDGETS

the funds of the extraordinary budget are usually only surpluses from the ordinary budgets, and, as a final total combines the two budgets in such a way as to strike a balance, we can, even here, speak of a budgetary unity, except in times of war. During the Russo-Turkish war of 1878, as well as during the Russo-Japanese war of 1904-1905, a special account outside of the budget, which was a real extraordinary budget, classified separately the abnormal operations.

The Practice in Belgium: One must go to Belgium to find a normal and complete type of the extraordinary budget. There, too, we are accustomed to find other good examples. In Belgium, even for a long time, the extraordinary budget has been greatly abused.

Thus, as a speaker from the opposition party said: "300,000 francs were entered in the extraordinary budget for the exposition in Chicago, an exposition temporary in character; 1,000,000 was appropriated for distribution of seed-potatoes among farmers who suffered damages through frost. . . . These potatoes were eaten long ago and future generations will not have even an after-taste of them." The cost of the banquet which was given to the Shah of Persia was entered in an extraordinary budget: "Whom shall this expenditure benefit? The future generations of Belgium or the future generations of the Shah?"

"The extraordinary budget," this speaker added, "is the juggler's cup, by means of which the Minister of Finance disposes of the deficit."

The budget for 1895 contained a section headed: *Exceptional Expenditures*, which set out several ordinary operations until then concealed in the extraordinary budget, which henceforth is supposed to contain only "expenditures for works which relate to the extension or improvement of public utilities."

In spite of the good intentions of this reform, it still remains rather vague. Under the pretext of being temporary, the expenditures for military improvements and certain other expenditures outside of the program are still entered in the extraordinary budget. A table for ten years shows that from 1900 until 1910 about 80,000,000 francs of expenditures, other than public utilities, were so charged.

The extraordinary budgets of Belgium amounted to 123,000,000 francs in 1905, to 155,500,000 in 1907, to 126,-

Adverse
Comment
on Practice
There

THE BUDGET

000,000 in 1911. These sums were used for railways, posts and telegraphs, roads, canals, rivers and harbors, neighborhood roads, military buildings, army, etc. As we see, almost all branches of the service avail themselves of the extraordinary budget. Submitted and voted separately, with no connection with the ordinary budget, but so drawn as to be carried forward from one fiscal period to the next,¹ the Belgian extraordinary budget has all the objectionable features of the institution,² and it would be dangerous in a country less wisely administered than Belgium.³

The Practice in Japan: Japan could not very well be reproached for failing to keep within the scope of the ordinary budget the expenditures of its stupendous and rapid expansion. Since its war with China, in 1881, Japan has had an extraordinary budget, which is increasing from year to year. There are many indications, however, that she does not ignore the merits of budgetary unity. In the meantime, in order to avoid the excesses which its system involves, Japan never provides the ordinary budget with funds through loans. Quite to the contrary, the surpluses of fiscal revenues invariably form the first item of extraordinary resources, amounting at times to 200,000,000 francs or more; nowadays this surplus is much less. Special accounts segregated the expenditures of the war with Russia.⁴ For 1911-1912, the budgets show the following figures:

Ordinary expenditures,	1,058,000,000 francs
Extraordinary expenditures,	409,000,000 "
Grand total,	1,467,000,000 francs

¹ In France the power of carrying forward, which was first admitted by the law of 1878, was taken away from the extraordinary budgets in 1882 because of resulting abuses, obscurities and difficulties of control.

In Belgium, on the contrary, this power of carrying back still exists, resulting for 1905 in an amount of 111,916,000 francs carried forward as the balance of 1903 and 1904; in 1907 167,000,000 francs carried forward, the balance of 1905 and 1906, etc.

² See on this subject the above mentioned work of M. Ernest Dubois under the title, *Etude sur le système belge en matière de budget de l'Etat*, 1904.

³ Thus Belgium appropriates for the expenditures of her extraordinary budget the surpluses of her ordinary budget, amounting frequently to quite considerable sums.

⁴ The debit side of the account relating to the war with Russia now exceeds 5,000,000,000 francs.

EXTRAORDINARY BUDGETS

Recapitulating, the extraordinary budgets are everywhere regarded with suspicion, even in Belgium and Japan, where they are still in force. They have been abolished in a more or less categorical way in most countries. They have been universally condemned, either by the apologists or by the conduct of those who prepare the budgets.

BUDGET OF SPECIAL RESOURCES [AGENCY ACCOUNTS, DEDUCTIONS FROM REVENUES, ETC.]

The budget of special resources was established July 2, 1862, coincident with the extraordinary budget. As far as the extraordinary budget is concerned, it was a revival, as we may recall, of the attempts of 1833 and 1837. The budget of special resources, on the contrary, was originated by the law of July 2, 1862.

Origin of
Practice
in France

"Its establishment," said the statement of supporting arguments, "has in view the segregation from the ordinary budget of the expenditures, which, being covered by means of assessments voted by local councils, are not entered in the general budget except to comply with the rules of our accounting system. Entered at the same time on the debit and on the credit sides, they cannot be considered as the expenditures of the State."

Why should the budget of the State include ¹ in itself local revenues and expenditures? Because, it was said, the officials of the Treasury collect them and the rules of accounting require that the budget of the State should describe all the operations of its agents. This is an erroneous principle, which the reform of the law of July 2, 1862, confirmed by expressly establishing a new budget for the purpose of separately classifying these local operations as operations of the State. The proper thing would have been to leave them outside of the budget.

Not a Part
of State
Finances

¹ Before 1862 the expenses of the *départements* were included in the budget of the Ministry of the Interior, the *centimes additionnels communaux* were included in the section of the Ministry of Finance, which section had the following heading: reimbursements and restitutions; the *non-valeurs* were distributed among the ministries of Finance, of Agriculture and of the Interior.

It is therefore necessary to segregate the State budgets until 1862 from the amount of these local revenues and expenditures in order to obtain data which may be compared with present statistics.

THE BUDGET

The statement of supporting arguments on the law of July 2, 1862, explained that the settlements in question "will be regulated by section II of the fiscal law, while section I will apply only to those expenditures and revenues which deserve to be considered a part of the ordinary budget of the State." The statement of supporting arguments admitted that section II was unnecessary.

Character of Items Included: Three main categories of revenues and expenditures were included in the budget of special revenues, as follows:

1. Revenues and expenditures of *départements* in toto.
2. The proceeds and deposits of *centimes communaux* collected on account of municipal budgets.
3. The proceeds and the use of the funds of *non-valeurs* and of reassessment.

The relative importance of each of these is indicated by the following figures taken from the budget for 1892:

Budgets of the <i>départements</i>	239,449,000 fr.
Proceeds and <i>centimes communaux</i>	180,093,990 "
Funds of <i>non-valeurs</i> , reassessments, costs of tax-collection notices, subsidies, etc.	26,254,776 "
Sundry	8,553,660 "
	<hr/>
Total	454,351,426 fr.

Definition

In conformity with this explanation, the budget of special resources may be defined as follows: "The budget of special resources classifies separately the revenues and the expenditures which run through the budget of the State without forming a part of it."

Examination of the several elements of the budget of special resources, as enumerated above, will show still more clearly that the reason supposedly deduced from the rules of accounting and used as a supporting argument for the law of 1862 has in reality no validity whatever. The statement of supporting arguments for the budget of 1884 repeated that "its operations should not be withdrawn from the vote of the legislature." (Statement of supporting arguments drafted by M. Tirard, March 3, 1883.)¹ Without incurring the risk of

¹ In 1883, 5,426,000 francs of revenues and expenditures were included in the ordinary budget because they did not possess the charac-

EXTRAORDINARY BUDGETS

being classed as an *ignoramus*, one may admit failure to understand why the legislature's obligation to vote should arise in this connection. The *départements*, as well as the municipalities, are corporate entities, which, through their elective councils, vote, control and regulate their own budgets. Speaking, therefore, from the budgetary point of view, the State has nothing to do with them.

Collections for Municipalities: First, as far as the *centimes communaux* are concerned, the same agents collect them, as well as the direct taxes for the State and for the municipalities. The connection, however, is clearly administrative. The State does not enter the proceeds of these *centimes communaux* in its estimates; it may not consider them in establishing the balance of its own budget. In short, the legislature has no control over these sums, which other agencies dispose of with almost sovereign authority.

Communes
Control
Their
Finances

Collections for Départements: As far as the *départements* are concerned, the budget of special resources not only consolidated the *centimes additionnels* with the direct taxes but also the revenues and expenditures. Thus, the encroachment became manifest. Doubtless the budgets of the *départements* were for a long time incorporated in the budget of the State; particularly under the First Empire, they formed a subdivision of the State budget. But, at that time, they were not complete political units. The *conseillers généraux* were appointed by the Emperor, or the head of the State;¹ but, since the constitutional law of May 10, 1838, established the autonomy of the *départements*, they possess a corporate entity. They can acquire and hold an estate, increase it by acceptance of gifts and bequests and control the budgets of revenues and expenditures.² These powers—confirmed by the laws of July 18, 1866, and of August 10, 1871—became absolutely inconsistent with the budgetary tutelage which the State continued

Local Au-
tonomy of
Départe-
ments

teristic features, properly speaking, of the budget of special resources in which they were until then included. (Statement of supporting arguments of the budget for 1884, March 3, 1883.)

¹ Beginning with the law of July 18, 1833, the *conseillers généraux* became elective agents.

² On the subject of the history of the budgets of the *départements* of their autonomy, and of the results of the law of July 18, 1892, see the speech of Advocate General Chantereau at the opening session of the *Cour des Comptes* on October 16, 1895.

THE BUDGET

to exercise.¹ As far as the funds of *non-valeurs* are concerned, nothing prevented their being distributed among the various chapters of the State budget, as was done after 1892.

The Fiscal
Law of
1893

Therefore, the law of July 18, 1892—30 years after the law of 1862—declared: "Article 18. The Budget on special resources is, and should be abolished, beginning with the fiscal period 1893."

The statement of supporting arguments set out:

"We are abolishing the budget of special resources. As a result thereof, the *départements* will henceforth administer directly their own finances, as do the municipalities. The ministers shall no longer intervene in the executing of orders for payment of expenditures; the prefect shall have the initiative, his duties being analogous to

¹ In 1888 coincident with the plan to change the opening date of the fiscal year, a plan for the abolition of the budget on special resources was presented, but was rejected. The statement of supporting arguments said: "The budget on special resources, properly speaking, is but an accounting of certain resources rather than a real budget making appropriations for the purpose of limiting the expenditures, and creating resources for meeting them. . . . By abolishing this budget we would once more sacrifice the corporate entity of the *départements* which was recognized by the laws of May 10, 1838, and of August 10, 1871. Henceforth the budgets of the *départements* shall be assimilated in the budgets of municipalities; the prefect shall become the principal agent passing orders for payment of expenditures, while at present he is only a secondary agent acting by order of the Ministers of the Interior, of Public Instruction and of Finance. . . ."

The legislature, however, shall continue to determine every year in the law on direct taxes the maxima within the limits of which the *conseils généraux* can move with regard to the vote on the *centimes additionnels*. . . ." (Bill relating to the changing of the opening date of the fiscal year, April 24, 1888.)

The Commission on Finances of the Senate, opposed to the plan of changing the opening date of the fiscal year, did not consent to the separation of the part of the plan which related to the abolition of the budget on special resources, as was proposed by one of its members: "All the articles of the bill," the Commission says, "are the consequences of a new principle which the Commission condemns. They should be rejected together with the changing of the opening date of the fiscal year, which is the real subject of the discussion." (Report of the Commission on Finances of the Senate, by M. Léon Say, June 11, 1888.) M. Léon Say, however, as is shown by a later quotation, was one of the supporters of the abolition of the budget on special resources.

EXTRAORDINARY BUDGETS

those of the mayor of a community. The Treasurer-General shall be continued, as an accountable officer, but he shall become the accountant of the *département*, and his position shall be that of a municipal receiver. . . ." (Budget plan for the fiscal period 1893, March 10, 1892.)¹

The budgets of the *départements*, as we have seen, constituted more than half of the budget on special resources; their elimination represented, therefore, the main feature of the reform of 1892. The *centimes communaux*, which represented a much smaller item, disappeared more easily, as no principle was involved with regard to them:

"The budget of special resources at least had the merit of stating the use *en bloc* of all the resources of the *départements*; it does not have the same merit with respect to municipalities. In fact, it limits itself to showing the importance of the *centimes additionnels communaux*, which constitute only a portion of the municipal revenues. In other words, the *centimes communaux* appear in the budget, only to be eliminated the moment they are returned to the municipal collectors. These are purely treasury operations, which have no place in the budget of the State."

Reductions from Revenues, Etc.: Once these two important sections had been eliminated, there remained the funds of *non-valeurs*, most difficult to classify, because of their peculiar character. The *centimes additionnels*—which supply them with funds, levied exclusively for covering up reductions in taxes and false and double use of the rolls and losses resulting from extraordinary events (conflagrations, hailstorms, inundations, phylloxera, etc.)—assume the appearance of a sort of insurance fund upon which the State does

¹ Why would not the prefects and the *conseils généraux* have the same power with regard to the accounting of their own budgets as have the mayors and the Municipal Councils with regard to the municipal budgets?" There is no reason for it and it cannot be understood. It is an exaggeration of the system of centralization which has no reason for existence. . . . I would like to abolish the budget on special resources, which is a defective procedure of accounting. . . ." (Speech of M. Léon Say, Chamber of Deputies, July 10, 1890.)

THE BUDGET

not seem authorized to encroach¹ because this fund represents the property of the taxpayers.²

An objection, however, has been raised, that this insurance fund, although contributed by the taxpayers, is exclusively established for the benefit of the State as a guarantee against the possibility of inadequate collections. Owing to the funds of *non-valeurs* the Treasury collects the total of the assessed taxes as shown by the assessment rolls. There is in reality, therefore, only one budgetary revenue the place of which is in the general budget itself. This is what the law of July 18, 1892, most wisely introduced.

All the elements of the budget on special resources have thus been scattered, either by elimination or by absorption; "this artificial combination of incoherent elements"³ disappeared definitely from the fiscal law, beginning with January 1, 1893, and is today but a reminiscence.

¹ The funds of *non-valeurs*, with regard to contributions "of repartition," formed to such an extent a special fund that its surpluses, available at the end of a fiscal period, were carried forward from year to year. This amount showed at the end of the fiscal period, 1890, a balance of 1,223,260 francs. The plan for the abolition of the budget on special resources submitted in 1888 first suggested the establishment for the benefit of the fund of *non-valeurs* a special branch of the Treasury which would be outside of the budget. (Statement of supporting arguments of April 24, 1888.)

² Although the fund of *non-valeurs* cannot be touched, it was still used; its hoard has tempted all the budgets. Two successive charges against this fund were made for the benefit of the expenditures of the war with Mexico, the first charge amounted to 6,000,000 (law of May 13, 1863), the second to 7,000,000 (law of July 18, 1866), a total of 13,000,000, which reduced the reserve in this fund. Besides, since 1884, the costs of printing and of making out the assessment rolls and summons to pay direct taxes, which costs, amounting to almost 1,266,000 francs per year, and which the State had defrayed, were charged against this fund.

³ Report of the Commission of the Chamber of Deputies, by M. Camille Pelletan, May 28, 1888.

CHAPTER XI

THE TREASURY—ITS SPECIAL FEATURES AS RELATED TO BUDGETS

Special Features of the Treasury: Relation of the Treasury to the Budgets: The Treasury as Banker; Découverts and Advances; The Budgets as Debtors to the Treasury; The Amount Balanced by Floating Debt; Reestablishing the Equilibrium; Sources of Treasury Funds.

Two Divisions of the Floating Debt: The First Class; Bonds as an Element; The Cash Bonds; Special Accounts; The Way to the Treasury; Vicious Treasury Operations; Loans to Industries; The Greek Loan; The Defenses of Calais; Dangerous Law of February, 1898; Advances to Schools, etc.

Guarantees of Interest to Railroad Companies: The Terms of the Guarantee; Objectionable Features; Two New Accounts; Repeal of the Law on Guarantee; Excuse for Special Activities; Special Activities Pernicious.

There are special activities of the Treasury, for which there is no official text, that have been described as follows: "The special activities of the Treasury have to do with getting the cash, which they temporarily needed, directly from the Treasury, outside of the budgets, until the receipts balance the disbursements."

This could not be very well understood, unless the words "budget" and "treasury" were understood beforehand.

SPECIAL FEATURES OF THE TREASURY

The term "budget" is already understood. We know that it represents the total revenues and expenditures of a year. But the "Treasury" has not been described; it may be defined as follows: The Treasury is the great reservoir for the resources of the State. Into this reservoir flow all the revenues, regardless of their character; definite revenues, revenues to order [*pour ordre*] and Treasury revenues; and from this reservoir issue all actual payments, payments to order and

THE BUDGET

Treasury payments. The level of funds rises with receipts and falls with payments, like water in a reservoir.

The metaphors do not hold very long, and the last one fails when it becomes necessary to explain why the reservoir is not one truly. The cash and the negotiable papers of the Treasury are in the hands of accountable officers all over the country. The unity of the Treasury exists only on paper in accounts which show the movement of funds. This unity is complete only on paper. The Minister of Finance at will and on the shortest notice can centralize or scatter the funds and the valuable papers which are distributed among the thousands of agencies under his jurisdiction.¹ From this point of view, the Treasury is an entity, not well defined by the metaphor of a reservoir, at least so far as its material conception is concerned.

Relation of the Treasury to the Budgets: The budget and the Treasury possess each a distinct personality. They are constantly in touch with one another, although they move within independent spheres and have their own characters.

Let us first examine their differences of character and then study their relations.

The existence of budgets is essentially limited to the period for which they are designed, and, as soon as this period is ended, they disappear. One budget ends and is succeeded by another. The Treasury, on the contrary, has no end; it continues its operations without interruption.² It would be possible to connect the present Treasury with that of the first Capets, if the records of the Treasury had been preserved; in the same way it can be connected in the future with the Treasury of the Republics to come.

What relations can exist between the budgets, which come

¹ The number of public treasuries, including those of the colonies, reaches 13,000 or 14,000, of which we give the following list:

General treasurers,	87
Fiscal receivers,	273
Receivers of registration dues,	2,822
Receivers of customs dues,	522
Receivers of indirect taxes,	2,685
Receivers of tax collectors,	5,000

² The accounts of the Treasury are closed, but not its operations. At certain times the level of the funds in the great reservoir is ascertained, which reservoir does continue, however, to be filled or to be emptied.

THE TREASURY—SPECIAL FEATURES

and go, and the Treasury, which exists permanently? It is often said that the Treasury is the banker of the budgets. It is a new comparison, which, for the time being, seems to be exact. The budgets, even the regular ones, could not possibly do without the services of the banker. If, for example, during the first months of the year, when the revenues have not come in, the budgets could not draw on Treasury reserve funds, the best of them would have to postpone its payments. As far as budgets closed with a deficit are concerned, after having expended more than they have taken in, they would terminate in a real bankruptcy if the Treasury did not come to the rescue.

**The
Treasury
as Banker**

The Treasury performs, with regard to budgets, the same function which the banker holds to his clients. On the one hand, it receives all their available funds and pays their current expenditures. On the other, it advances them money in case of need; these cases of need occur either when operations require a temporary advance, or when there is a final deficit requiring cash to cover it.

This last case has unfortunately occurred quite often in the budgets, and there is, therefore, in the Treasury the very important account of *découverts*, which may be defined as follows: the *découverts* represent the indebtedness to the Treasury of all the budgets which closed with a deficit. But, as the account in question has the following complete title: *Découverts and advances of the Treasury*, it is necessary, in order to be exact, to divide the definition into two parts. We have, on the one hand, the *découverts*, properly speaking—which means “reserves made in the Treasury for the purpose of covering the deficits of expired budgets”—these form the larger portion of the account of 4,300,200,000 francs, according to the latest statistics. On the other hand, we have the advances—“reserves made in the Treasury at certain times in order to make payments, which are reimbursed by the budgets”—they amount to 1,226,000,000 francs. In 1830, for example, de Montbel, Minister of Finance, took directly from the Treasury 371,051 francs and distributed them among the troops which defended the throne of Charles X; this was an advance which has never been reimbursed. In 1870, during the war with Prussia, a sum of 16,689,837.50 francs was taken in the same way from the public Treasury in order to continue the functions of the Commission on Armaments. Various supplements of appropriations, not ratified by the

**Découverts
and
Advances**

THE BUDGET

Chambers, have been balanced by the Treasury, always under the pretext of advances which were not reimbursed.

The Budgets as Debtors to the Treasury

In total, 5,526,000,000 francs of *découverts* and of advances have thus been accumulated to the detriment of the Treasury; this is a gross figure from which various credits and surpluses, successively accrued, must be deducted. First of all, certain budgets left surplus revenues to the amount of 1,446,000,000 francs; then loans, under various forms, furnished 2,850,000,000. This leaves a net balance of 1,230,000,000 francs of which the Treasury has been definitely despoiled, according to the last statement.¹

The Amount Balanced by Floating Debt

It is, therefore, necessary to reconstitute to the Treasury the funds which have been taken from it. The comparison to the reservoir becomes particularly suggestive. Nothing could be got out of an empty reservoir. A reservoir from which is taken more than it contains is inconceivable. The 1,299,000,000 francs which have disappeared must be restored by new funds; these funds are supplied by the floating debt.

Reestablishing the Equilibrium

Floating Debt as a Treasury Resource: Speaking in a general way, the mission of the floating debt is to provide the Treasury with capital in the form of: (1) cash on hand; (2) funds to reestablish the debit balance of the *découverts* and of the advances; (3) to restore the equilibrium of special activities of which we shall presently speak, in case these special activities show a debit balance.

In consequence, the floating debt can be defined as follows: the floating debt constitutes one of the resources of the Treasury. It includes the funds turned in on a drawing account or deposited, and the funds resulting from sales of Treasury Bonds.

Sources of Treasury Funds

This definition contains two ideas. One tends to specify the nature of the floating debt; the other to show that it is "one of the resources of the Treasury" and nothing more, in spite of certain formulae which must be distrusted. The Treasury, in fact, acquires its resources either from the temporary surpluses or revenues of the current budgets, or from the credit balances of special activities, or from the proceeds of consolidated loans or various extraordinary means. The funds put at the disposal of the Treasury by the floating debt

¹ These figures are taken from the annexed schedules of the statement of supporting arguments of the budget for 1913.

THE TREASURY—SPECIAL FEATURES

occupy the fourth place, although they may be considered the most customary resource, if not the most important.

Two Divisions of the Floating Debt: As far as the composition of the floating debt is concerned, with which the second idea contained in its definition deals, the floating debt is divided into two principal parts, the first of which includes funds turned over to the Treasury on a drawing account or as a deposit; the total of such funds, according to latest statistics,¹ reaches 1,060,000,000 francs. Among the funds turned into the Treasury, either compulsorily or optionally, may be mentioned: the available funds for municipalities and *départements*; the funds which the *Crédit Foncier* must deposit by virtue of its by-laws; the funds of the savings banks; of the old-age pension fund; of the *Caisse des Dépôts et Consignations*; of the invalid sailors' fund; of the army corps; the special funds of the treasurers general, etc. The majority of these funds bear interest. Only the sum of 173,866,000 francs does not bear interest, particularly the available funds of the budgets of the *départements*, because the *départements* have free of charge the services of the treasurers general in connection with the execution of their budgets.

The First
Class

The second element of the floating debt is composed of bonds issued by the Treasury within the 600,000,000 franc limit authorized by the fiscal law; the Treasury bonds in circulation total, according to the latest statistics, 336,000,000. The bonds of the Treasury have already been studied and defined in Chapter IX. By adding their total to that of the funds in the drawing accounts and on deposit, the grand total of 1,395,000,000 is obtained. This constitutes the floating debt, according to the latest statistics.

Bonds as
an Element

These facts ² relating to the Treasury, which must of necessity be somewhere inserted in a book dealing with the budget, will enable us to treat more intelligently the subject of "Special Activities of the Treasury," which in former times constituted a special section of the fiscal law.

¹ Condition of the floating debt on April 1, 1912, published in the annex of the statement of supporting arguments of the budget for 1913.

² The subject of the Treasury is treated in this connection only in a summary way, because more extensive comments which this subject would imply will be found in the portion of the work which deals with public credit.

THE BUDGET

In themselves, and as far as their origin is concerned, *The Special Activities of the Treasury* do not invite criticism. They are accounts opened in the ledger in view of the continuation of works in which the various operations of the Treasury are interested; the public accounting service holds the privilege of opening as many accounts for additions and betterments as it may deem useful.

The Cash
Bonds

For instance, the *cash bonds*—furnished by incumbents of offices which require such guarantee—now reach the total sum of 117,481,000 francs. Therefore, nothing is more legitimate than to carry in a special account this indebtedness of the Treasury and to trace over again the periodical fluctuations of deposits and withdrawals.¹ It seems equally useful, since the budget on special resources was abolished, to open an account among the special activities of the Treasury for the *Direct taxes and other similar taxes collected for the départements and the municipalities*. In these accounts are entered all funds not belonging to the State, together with their disbursements. As the law has also assigned certain special allotments to the “pool” (*pari mutuel*) and to the account carrying the proceeds of the “tax on the manufacturing of alcohols for industrial purposes,” it is only natural that special accounts follow such application in order to satisfy themselves that the legal provisions are properly observed, etc. These accounts no one could criticize as they are of a routine nature, and which one might call immaterial, as compared with others with which we shall deal.

Special
Accounts

The Way
to the
Treasury

Under cover of immaterial accounts, other accounts apparently of the same nature, intended to favor or to facilitate the extension of expenditures, beyond the check imposed by the budgets, have been established. The budgetary appropriations are always more or less affected by the necessities of the equilibrium. In the Treasury, on the contrary, there is an abundance of funds, if only they can be reached. This cannot be left open to everybody; some pretext is necessary in order to be admitted.

¹ The figure of the credit balance of the special service of cash bonds varies on account of the numbers of the incumbents, the changes in the determining of rates and, above all, the fiscal period which continues to develop on account of the right to give bonds in securities instead of in cash, as was authorized by the law of March 29, 1898. Hence the annual fluctuation which made the credit balance drop from 310,000,000 in 1896 to 301,000,000 in 1900, to 248,929,000 in 1905 and to 117,000,000 at the present time.

THE TREASURY—SPECIAL FEATURES

The pretext is as follows: certain operations give promise to, or appear to give promise to, yield revenues which may some day cover present expenditures. What is the use, it is said, of encumbering the budgets with their figures? They are simple activities of the Treasury, temporary activities, which will tomorrow be restored to the Treasury and will disappear. According to the definition given at the beginning, they draw directly from the Treasury and outside of the budgets the resources which they temporarily need until the revenues balance expenditures. A few examples will show not only the process, but also the failure of the expected revenues to cover present expenditures. Present expenditures only are certain.

Vicious
Treasury
Operations

The "loans made to industries"—put into effect by virtue of the law of August 1, 1860, which was the result of a commercial treaty, loans which have to be repaid by the interested parties as their name indicates—from the beginning were classified among special activities. There is nothing more legitimate than such a classification, it was said, because the 36,840,166 francs which were loaned, in all probability would some day come back in full; there was only the question of waiting and carrying the item in a suspense account. Unfortunately, the reimbursements were not forthcoming as anticipated, and on December 31, 1886, 11,855,819 francs were still outstanding. The law of March 30, 1888, declaring 9,716,878 francs of the above as irrecoverably lost, ordered the item carried to profit and loss by including it among the *découverts* of the Treasury; only 2,141,941 francs were held in the special activities account, which sum had been reduced to 720,183 francs.

Loans to
Industries

"The Greek loan," now cancelled from the list of special activities, held its place there for a long while, owing to the same idea. In 1832 Russia, England and France jointly guaranteed the loan of 100,000,000 francs contracted by the Greek Government. The loan once secured, Greece failed to pay the interest: France, being obligated to the extent of one-third of the amount, had to advance successively 3,793,277 francs out of its own funds. In 1857 an International Commission stipulated that Greece should reimburse these advances by instalments of 900,000 francs per annum, one-third of which should be paid to France; but this sum of 900,000 francs was reduced to 600,000 francs in order to provide a civil list for King George I in the sum of 300,000 francs (agreement of

The Greek
Loan

THE BUDGET

January 5, 1864). The amounts due to France under this new arrangement were regularly paid. But, in 1886, at the end of twenty years, the accumulated instalments reached a total of 4,000,000, which, together with some previous payments, left an outstanding balance of 27,094,000 francs. At this rate, it would take Greece 135 years to discharge its obligation; 135 years, added to the 33 years already elapsed, would give to this special operation a duration of 168 years! What has become, then, of its temporary character? In 1887, accordingly, it was resolved definitely to cancel the Greek loan from the accounts of the Treasury. (Article 4 of the fiscal law of February 26, 1887.)

The Defences of Calais

The "reorganization of the defenses of Calais" constitutes a type of the special activities, which can be easily understood. According to the original estimates, the grounds, occupied by the new defenses, were expected to cost an amount equal to the proceeds from the sale of the land covered by those which were being abandoned. Why, therefore, it was asked, should the economy of future budgets be troubled with credit and debit entries, when finally the expenditures and the receipts would equalize each other? The law of April 21, 1879, proposed, therefore, that the operation in question should be classified among the special operations of the Treasury, where the 14,000,000 francs of estimated expenditures would be charged gradually against the proceeds from the land sales. Unfortunately, in this connection also, the operation ended in a disappointment. At the close of 1899, after twenty years, the special account was closed with a deficit of 7,562,000 francs (law of December 26, 1889). The expenditures reached the amount of 8,227,000 francs, but the revenues reached only 664,000.

Dangerous Law of February, 1898

One of the more dangerous of recent special activities is that inaugurated surreptitiously under the law of February 17, 1898. It is entitled: "Improvement in the material of armament and the rehabilitation of military establishments," the debits for which increased daily, while no actual assets could be credited to it. The main hope for the ultimate liquidation lay in the values of the land occupied by the antiquated fortifications of Paris, the sale of which, however, had not begun, nor had preparation even been made for it. Temporarily, expenditures were met by an issue of Treasury Bonds. Thus, the old extraordinary budgets were reestablished.

THE TREASURY—SPECIAL FEATURES

The Minister of Finance suggested the definite closing of this deceptive account, and this was done under the law of December 30, 1900. No new expenditure is any longer charged against this special account of armament. But a debit balance of 185,000,000 francs still remains with no offsetting assets.

Among the special activities running over a long time, of a rather dangerous nature, are those inuring to the benefit of the "funds of neighborhood-roads" and of "educational establishments." These activities were originated for the purpose of furnishing the *départements* and the municipalities with advances of money and with subsidies. After they had absorbed almost 1,000,000,000 francs, the expediency of their being closed as soon as possible was realized; this was done by a law of July 26, 1893, effective January 1, 1894. In their stead was opened a single account under the heading, "Liquidation of advances of funds to neighborhood-roads and educational establishments," which account had entered on its debit side all the charges of former times, which now amount to 24,619,000 francs.

Advances
to Schools,
Etc.

GUARANTEES OF INTEREST TO RAILROAD COMPANIES

Many other examples might be quoted. But let us hasten to consider the "Guarantees of interest to railroad companies," which caused, between 1885 and 1893, the opening in the fiscal law of a section under the title, "Special activities of the Treasury."

The matter of the guarantee of interest is annually presented as follows in the General Financial Statement:

The Terms
of the
Guarantee

"By virtue of the articles of agreement made with the Railroad Companies, the payments, by the State to these Companies as guarantees of interest, are advances on the net proceeds of the lines to which the guarantee applies, and are to be repaid to the State together with interest at 4 per cent as soon as the net proceeds exceed the guaranteed interest."

As set out in the general statement, payments on the guarantee constitute advances of money, which the companies must reimburse the State, together with interest, during the life of their franchises, if their revenues permit, or at the expira-

Objec-
tionable
Features

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tion of their franchises. It was this idea of *advances* which in 1885 gave rise to the classification of the guarantees of interest among the special activities of the Treasury. It was argued that, since the actual outlay was to be reimbursed, why should the current budgets be encumbered with charges, the equivalent of which in revenues would some day augment the budgets of following generations. The operation only upsets the arrangement of the fiscal law. Would it not be better to eliminate it and to classify it separately with the Treasury which temporarily provides the funds? The law of August 8, 1885, relating to the budget for 1886, as a result of this reasoning, stipulated in section V, article 14, "there shall be opened among the special activities of the Treasury two accounts under the following headings: *Advances to French Railroad Companies for guarantees of interest*, and *Advances to Railroad Companies of Algiers for guarantees of interest*."

Two New Accounts

Not only did those two new accounts appear in our accounting system, but the fiscal law itself deemed it necessary to include them, by devoting to them a special section under the heading, "Special activities of the Treasury," which would regulate annually their footings. This constituted a budgetary anomaly, which is later discussed. Since then, the ordinary expenditures have each year been reduced by from 70,000,000 to 80,000,000; here lay the only true motive inspiring the innovation; the rest was subterfuge. Above everything else the Government wanted a paper balance: "There is ground for belief," admitted the deputy who reported on the subject, "that the guarantee would not have grown out of the budget for 1886 if the ordinary revenues had been sufficient to pay them."

Repeal of the Law on Guarantee

Thus, as soon as the growth of surpluses permitted, the idea of budgetary unification again gained the upper hand. In the budget of 1892, the Minister of Finance suggested the abolition of that portion relating to the railroads of Algiers; the Commission on Budget completed the measure by also eliminating the guarantees of interest to French railroads, so that the fiscal law of 1893 repealed the special section inaugurated in 1885 after seven years of existence.¹

¹ This section of special activities lasted in fact only six years. If the budget for 1892 still contained a section IV under the caption "Special Activities," the latter had a new meaning. In the budget for 1893 this section disappeared completely.

After having been eliminated from the fiscal law, the former

THE TREASURY—SPECIAL FEATURES

If we now look for the reason why the special activities relating to the guarantees of interest were entered in the body of the fiscal laws from 1886 to 1892, we must reply that it was due to a certain kind of honesty—very laudable, by the way, on the part of those who prepared the budget—who, anxious to pay tribute to the principle of budgetary unity, refused to hide the guarantees of interest in the customary obscurity of Treasury accounts, without informing the legislature. By placing them in the very body of the budget, they attracted the attention of the representatives of the country who lost no time in abolishing them. It is highly desirable that the same fate wait on other special activities, which are but a sort of parasite, the existence of which is favored by the obscurity surrounding them and which a Minister of Finance, in his statement of supporting arguments of the budget for 1900, characterized as follows:

Excuses for
Special
Activities

“The accounts of special activities are pernicious; their use borders on abuse, and puts the State on particularly slippery ground. We have, therefore, tried to abolish the majority of these accounts, the reasons for the existence of which are not clear and the existence of which to us appears to have no other result than the obscuring of our accounting system; while in a free land in which public opinion reigns supreme, it is necessary that the accounts of the State be clear in every detail, and that the legislature and the public be able to understand the finances.”

Special
Activities
Pernicious

special activity of interest guarantee now exists among the accounts of the Treasury, but it is exclusively devoted to showing the movement of the indebtedness of the companies to the State and no longer uses funds of the Treasury. It is a harmless account.

PART II

VOTING THE BUDGET

CHAPTER XII

LEGISLATIVE COMMISSIONS ON BUDGET—PUBLIC DISCUSSION

The French Method of Voting the Budget: Legislative Commissions [or Committees]—Open or Closed Doors: The Legislative Commissions Are Appointed; The Budget Commission; Varying Rules as to Meetings; The English Plan; In the United States.

The Permanency of Legislative Commissions [Committees] in the United States and in France During the Revolution: The Committees of the Constitutional Assembly; Necker; Changes Under the Legislative Assembly; The Extremes of the Convention; The Assembly of 1848; Difficulties to Be Overcome; Conflict Between the Executive and Commission; The Weak Spot; Reports Prepared by the Legislative Commissions [or Committees]; Multiplicity of Reports; The Results; The Discussions on the Fiscal Law; The General Discussion of the Bill; The Tenor of the Debates; Topics Debated; Three Classes of Speakers; The Discussion by Article.

The budget plan, once submitted to the Chamber, leaves the hands of the Executive and goes to the legislature whose duty it is to vote on it.

THE FRENCH METHOD OF VOTING THE BUDGET

Voting the budget is too important an operation to be performed by the representative body without due consideration. Between the time the budget plan is submitted and the time the fiscal law is voted, periods of preparatory inquiry must necessarily lapse. There are two phases of inquiry, viz.: first, the study and the revision of the budget plan by the commission on budget; and then the public discussion before the entire assembly. A commission [or committee] on budget and

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public discussion can be found under one form or another in all countries having a parliamentary form of government.

LEGISLATIVE COMMISSIONS [OR COMMITTEES]—OPEN OR CLOSED DOORS

As soon as the budget plan is submitted, the president of the Chamber of Deputies pronounces the following formula: "The budget plan shall be printed, distributed and turned over to the bureaux."

How Leg-
islative
Commis-
sions Are
Appointed

The bureaux do not form as yet the commission on budget, but they furnish means for its appointment. The Chamber of Deputies, in fact, according to its rules, divides its members periodically into eleven bureaux or groups, the composition of which is determined each month by lot. These bureaux examine the bills which are sent to them,¹ and, after a casual discussion,² they designate a certain number of members to study them. In general, one commissioner is appointed by each bureau; the legislative commissions are, therefore, composed of eleven members.

The Budget
Commis-
sion

As far as the budget is concerned, its greater importance causes the appointment of four commissioners for each bureau, so that the commission on budget consists of forty-four members.³ In 1887, by way of exception, the entire Chamber elected the members of the commission on budget by a *viva voce* vote. (Resolution of April 2, 1887.) The following year, however, after having compared the merits of both methods, the Assembly returned to the old defective system. The partisans of the *viva voce* vote contended that "the study and the voting of the budget being the greatest political action of an assembly," it was perfectly justified in giving the most solemn form to the appointment of the commission. The opponents replied that "if the study and the voting of the budget constitutes the most important act which the legislature can undertake, there is certainly no reason for depriving this act of a guarantee given to all plans or bills, that is, a previous discussion in the bureaux." (Chamber of Deputies, session

¹ Unless a Commission which is already working is occupied by the same question or by analogous questions.

² See the discussion in the Chamber of Deputies, February 17, 1891, on the subject of the inadequacy of the work of the bureaux.

³ Regulation of July 7, 1911. For 1913 the powers of the commission of 1912 were continued in order to gain time.

LEGISLATIVE COMMISSIONS ON BUDGET

of June 26, 1888.)¹ Regardless of the method of electing its members,² the commission on budget in accordance with the purpose of the institution, may be defined as follows: The Commission [Committee] on Budget is a group of the members of the Chamber, having special charge of studying the budget plan and of submitting suggestions on the subject before the public discussion is opened.

This definition applies to all countries having a parliamentary form of government, because, wherever the voting of the budget rests with the representatives of the nation, a special committee,³ less numerous than the general assembly, is entrusted with the mission of studying its details before the public discussion is opened. Only the forms vary, whether the meetings are public or not, or whether the commissions are permanent or otherwise.

As to the publicity of the sessions of the commissions [or committees] on budget, no reference is made to the admission of the public at large. The latter is everywhere excluded. The meetings can at most only be opened or closed to all members of the assembly without distinction; they can thus be open or closed.

In France no deputy, except those elected by the bureaux, enters the meeting-room of the commissions, even as a listener. The same is the case⁴ in the majority of countries of

Varying
Rules as
to Meetings

¹ Recently a motion was adopted by the Chamber by virtue of which the commission on budget is appointed immediately after the drawings of lots by the bureaux, within the same *quarter of an hour*, in order not to leave any time for partisan intrigues to develop.

² The resolution of July 7, 1911, which reestablished the election by bureaux, is worded as follows: "A commission of 44 members appointed by the bureaux is put in charge of examining the law on revenues and expenditures." The discussion which preceded that vote is instructive.

³ The works on foreign constitutions furnish all the desired information with regard to the appointment of commissions on budget in various countries. Besides, the Cobden Club in 1878 organized an inquiry into the "control of budget in the various countries" and published in a book the replies of all of its correspondents.

More recently the consuls of the United States have furnished their government with a series of reports on legislation relating to foreign budgets, published under the following title: *Reports of United States consuls on budgets and budget legislation in foreign countries*, March, 1888.

See also, *De la préparation des lois dans les Commissions parlementaires*, by M. Henry Labbé, Paris, 1901.

⁴ In Belgium attempts have been made either to make public the

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the Continent, with the exception of Austria, where all the members of the *Reichsrath* may attend, if they so desire, the meetings of the committee on finance.

The English Plan

In England, on the contrary, as soon as the budget plan is submitted by the Government, a *committee*, composed of all the members of the House of Commons who wish to be present, undertakes the study of the budget plan. Those who possess an aptitude, special liking and particular qualifications for financial matters, as a matter of course, join this committee, which takes the name of the "Committee of the Whole House" ["of Supply," while considering the detailed estimates for expenditure, and the "Committee of the Whole House on Ways and Means," while considering the budget or plan of financing the Government's needs]. In order to constitute this committee a simple action of parliamentary procedure, a simple motion is required, viz.: "The Speaker will now leave the chair." After the House has given its consent, the Speaker leaves his chair, the mace is placed under the table and another president, designated by his colleagues, conducts the discussion under the name of chairman. The session continues without further interruption,¹ only the members present are less numerous and the discussion has a less solemn but a more practical tone; everybody expresses himself frankly, in a businesslike way, taking the floor at different times, which is forbidden during the general session. After the resolutions are taken, the chairman recapitulates them in an oral report to the House convened again under the Speaker.² The budgetary committees of the entire Chamber

work of the commission, which is called the *central section* on budget, or to bring into this commission the representatives of the minority. Besides, the institution of the English "committee of the whole house" has been suggested. (Report to the Chamber of Representatives of Belgium, made by M. Pirmez April 13, 1888.)

¹ The fine work of M. de Franqueville, *Le Gouvernement et le Parlement britanniques*, furnishes valuable information on the subject. The book of Mr. Erskine May, *The Constitutional History of England*, has already shown this parliamentary procedure. M. de Franqueville has not only availed himself of the written works of Mr. Erskine May, but has taken advantage of the personal suggestions of this eminent "clerk" of Parliament.

² No written report is drafted, no document is printed. Our voluminous annual statements are unknown in England. As soon as the committee of the whole house has finished examining the special subject which was the cause of its meeting, the House convenes in general session under the presidency of the Speaker and the chair-

LEGISLATIVE COMMISSIONS ON BUDGET

[Committee of the Whole House] constitute the opposite of our closed and exclusive commissions, because all members of the House of Commons, without election, without special commission and without any distinction can take part in them. This remarkable system has often attracted public attention in France.

In the United States the committees of the whole house work under the same conditions as in England, whence they were introduced. These committees, however, do not interest us as much because the budget plan does not reach them at once as is the case in England.¹ Before the committee of

In the
United
States

man limits himself to indicating orally the resolutions which were adopted by the committee. "The chairman of the Committee then approaches the chair of the Speaker and reports in the name of the Committee either that the Committee has examined the bill in its totality and has made amendments or that the Committee has examined the bill in its totality and has ordered him to report on the bill without amendments." (Count de Franqueville, *idem*.)

¹ [Stourm has not brought out the essential difference—the real reason why the "committees of the whole house" in our Congress "do not interest us as much" as do the meetings of the committee of the whole in the English Parliament when sitting as a "committee of supply" or as a "committee of ways and means." The essential difference is this: soon after Parliament meets, it has laid before it in printed form the detailed Estimates, for which the Executive stands sponsor, for critical examination with the heads of departments present to answer the questions of members. Then they take up these estimates initially, one after another, in committee of the whole house, giving full opportunity for inquiry and discussion, after which each total, which is to appear as an item of appropriation, is put to a vote. In the United States, while printed estimates are put into the hands of members of Congress early in the session, the executive does not stand sponsor for them; they are not taken up one after another in committee of the whole with heads of departments present; they are divided up and referred to various committees where weeks, perhaps months, are consumed in the study of details. While this discussion is going on in committee, there is nothing in which the public can interest itself; even the members of the committee do not know what the proposal will be when it is reported out; in fact there is nothing before Congress till the committee reports its bill, which is never an executive plan or proposal, but that of a partisan majority of the standing committee to which this section of the estimates has been referred. By the British practice fully two months is given to members of Parliament to ask questions and inform themselves about the details of Estimates for expenditure before the "budget" or plan for financing the next fiscal year is submitted. Then this "budget" or plan is taken up in committee of the whole, where the revenue and borrowing proposals can take the same course as have the Estimates. In the United States no financial plan

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the whole meets, special committees appointed within the Federal Congress have prepared the plans of the fiscal law; this system gives them in a more precise way the character of a commission on budget. As these are standing committees, we must study them from this second point of view.

THE PERMANENCY OF LEGISLATIVE COMMISSIONS [COMMITTEES] IN THE UNITED STATES; AND IN FRANCE DURING THE REVOLUTION

In France a commission on budget of the Chamber of Deputies begins its functions with each budget and the financial commissions of the Senate are also annual.¹

In the United States, on the contrary, from the opening of Congress and during its session, the Speaker assigns the study of public affairs to permanent committees of which he designates the members.² These committees justify their character of permanency by the very nature of the functions entrusted to them; a portion of the executive power is vested in

is submitted, but one fragment after another is reported out independently by the different standing committees and usually near the end of the session; no opportunity is given to members to question responsible executives on the floor; both Congress and the country are kept in the dark until finally, one after another of the finance bills appear, no one except a select few having a chance to understand them; then they go through the formality of a committee of the whole procedure. With the English practice Parliament takes on the character of a real forum; with the American procedure Congress devises its work secretly, then gives the floor for a few hours to members who desire to make "stump speeches." The English procedure is a device for giving publicity and enforcing accountability for the acts and proposals of executive officers; the American procedure has been designed to perpetuate and perfect what has come to be known as "Invisible Government."—The Editor.]

¹ If the Senate, before appointing its commission, should wait until the fiscal bill voted by the Chamber of Deputies was submitted, the latter would lose on this formality the little time that was left. Therefore the Senate at the very beginning of the year designates the members of the commission which shall have charge of officially following the discussions of the deputies and preparing its report in advance.

² This designation of the members of the committees by the Speaker gives rise to much abuse. The Speaker, who is in general a party man, takes care to compose the important committees in such a way that the opposing political party can exercise little influence; in fact, he confines the party in opposition to committees which have comparatively small importance.

LEGISLATIVE COMMISSIONS ON BUDGET

them. Particularly with regard to financial matters, the committee on appropriations possesses the initiative to a certain extent, as has been said before.¹ In fact, the Secretary of the Treasury submits his estimates to this committee. This standing committee on appropriations, however, revises these estimates as its own and prepares the budget in its essential outlines. The committee summons the Secretary of the Treasury and the chiefs of the various services to appear before them; they coöperate with the members of other standing committees which are in charge of permanently supervising the business of the executive departments for the purpose of determining the expenditures. It finally presents the general budget plan to the House of Representatives. Later this committee defends the budget plan before the House, which excludes from the floor the Secretary of the Treasury [and all other executive heads]. The legislative committees in the United States, thus equipped with executive powers, possess quite justly the prerogative of permanency.²

But we do not need to go to the United States to find examples of permanent committees; we can find them in our own history.

¹ See Chapter III.

² [While the author's assumption is quite true that the standing committees of Congress which prepare the various finance bills are exercising executive functions, a fact which President Wilson commented on in his "Congressional Government," the impression is given that all the estimates are considered and all the finance bills are prepared by the committee on appropriations of the House. This is quite erroneous. The committee on appropriations is only one of seven committees of the house, each of which performs a part of the function of reviewing estimates and preparing appropriation measures quite independently of the others; and still another prepares the revenue measures with little or no regard for the several committees which review estimates and prepare appropriation bills. Then these bills, when introduced, are taken up in the Senate, where several more committees perform like functions. But the whole initiative in the preparation of an authoritative finance measure for the government lies in these bipartisan committees, which have no responsibility for executing the measures after they are passed. The American system is still further compromised by the practice of initiating salary increases, appropriating for specified positions, and injecting as "riders" measures of organic law, not only depriving the Executive of initiative, but also forcing on him an organization, a personnel and conditions governing expenditures, which destroy executive responsibility—a result which has come about largely by what is known as "log-rolling." In the United States there is no budget or general financial plan.—The Editor.]

THE BUDGET

The Committee of the Constitutional Assembly

The Constitutional Assembly, at its first session¹ in 1789, instituted permanent committees for the purpose of studying and directing all public affairs. Among its financial committees were those on finances, on taxes, on expenditures, on pensions, on liquidations, etc. The Standing Orders of the National Assembly, passed on July 29, 1789, did not fix the tenure or the powers of these committees. The immediate result of the establishing of these permanent committees was the restriction, which ended in a complete annulment, of the powers of the ministers [the usurpation of the powers of the executive]. Necker, for instance, the first Minister of Finance—who during his preceding terms as minister had prepared the reform of direct taxes,² very much to his credit—was not even consulted on the subject of the establishing of land, personal and property taxes. The committees did his work without him. The fiscal laws often did not come to his knowledge, except through the promulgation of the vote upon them, often accompanied by a circular giving notice that they were in operation. The correspondence of Necker with the National Assembly contained in his *Œuvres complètes* shows in every line his isolation and his vexation, “his great anguish of heart and mind,” “his continuous torments,” “the approaching exhaustion of his forces,” “the dangerous condition of his health which compelled him to take the waters.” His memoirs close with this very just reflection:

Necker

“The National Assembly committed a mistake by requiring its committees to give an account of the condition of finances. This is a mission which the National Assembly should have left to the chief of the Department of the Public Treasury, reserving only to the commissioners appointed by the Assembly the right of revision and control of the accounts.” (*Sur l'administration de M. Necker*, by Necker himself, 1791.)

The institution of permanent committees had precisely the purpose, as Roederer admitted, “of putting the finances beyond the reach of attempts on the part of the executive power.”

¹ On June 10, 1789, one and one-half months after the opening of the *Etats-Généraux* under decree, there were organized four permanent committees.

² See on this subject the informations contained in our book, *Les finances de l'ancien régime et de la Revolution*.

LEGISLATIVE COMMISSIONS ON BUDGET

The Legislative Assembly organized a permanent committee in a still more systematic way. The decree of October 18, 1791, created 21 permanent committees,¹ with 465 members; or, in other words, the Assembly² was distributed in committees on public taxes, on the National Treasury, on the examination of accounts, on *assignats* and money, etc. Each committee, in order to direct more exclusively the functions assigned it, was in direct communication with the administrative bodies.³

Changes
Under the
Legislative
Assembly

Finally, the Convention carried this system to an extreme by organizing the famous committees of Public Welfare of twelve members, and of General Safety of sixteen members, which committees absorbed all the governing powers. At the same time the Committee on Finances was reestablished with forty-eight members; its powers became so extensive that it could, on its own initiative, without referring the matter to the Convention, decide on the issue of almost 7,000,000,000 of *assignats*.

The Ex-
tremes of
the Con-
vention

Thus, as stated above, the power of the ministers vanished and there were no ministers in France. The "chronology of ministers" leaves this period blank;⁴ France remained for a year and a half without ministers. Nowadays, although there are plenty of ministers, we say at times, in a figurative way, that there are no ministers at all. Under the Convention the abuses committed by the permanent committees actually brought about this result. Soon, however, the Constitution of the year III of the Republic abolished the permanent committees, which did not reappear until in 1848.

The Standing Orders of the Constitutional Assembly of 1848 divided the 900 deputies into 15 permanent committees,

The As-
sembly
of 1848

¹ The committees were permanent, although their members were subject to reelection periodically and by series.

² "No one shall be at the same time a member of two committees." (Article 24, of the decree of October 18, 1791.)

³ The meetings of the committees of the legislative assembly were public in the fullest sense of the word: "The work of the committee shall be public to all the members of the Assembly." (Article 29 of the decree of October 18, 1791.)

⁴ After J. Necker, Lambert, Tarbé, Clavière, the chronology of ministers continues as follows for the ministry of finances: June 13, 1793, Destournelles; April 1, 1794, Commission called the Commission on Finances and later the Commission on National Revenues; November 8, 1795, Faypoult; February, 1796, Ramel. For more than one year and a half the ministry of finance had no incumbent.

THE BUDGET

of 60 members each,¹ "charged, unless the Assembly should decide differently, with examining the suggestions and petitions relating to their respective subjects." (Standing Orders of the Constitutional Assembly of 1848, Article 12.) In May, 1849, the Legislative Assembly abolished these permanent committees,² the failure of which had resulted chiefly from the complexities of their organization. Certain committees—such as the Committee on Agriculture, Hygiene, Justice and Commerce—found among the farmers, doctors, notaries, business men and tradespeople more candidates than actually needed; while the Committees on Foreign Affairs and on the Navy had none other than lawyers.

Difficulties
to Be
Overcome

At the present time various suggestions resulting from parliamentary initiative have been made urging the permanency of the commissions by setting forth the necessity of increasing the special competency of the legislative personnel. "In the present organization," it has been said, "there are necessarily found two deplorable things: (1) certain members who are appointed are little competent or entirely incompetent; (2) certain deputies who are well qualified cannot be appointed." If the system of permanent committees were substituted for the temporary, these weaknesses would disappear.

"In order to become a lawyer, a candidate must have three years of law school and another three years of practical training; in order to become a doctor one needs to have six years of schooling. In order to become an engineer, even of the poorest kind, one needs six years of study. . . . How can it be supposed that a deputy could possibly acquire in a few meetings of a temporary commission any degree of competency on a subject which he has never studied?"³

¹ Article 16 of the Standing Orders of the Constitutional Assembly of 1848 read as follows: "Every member of the Assembly shall have the right to attend without a consultative or deliberative vote the discussions of the Committees." In this connection, too, the publicity of which we have spoken coincides with the principle of permanency.

² It is quite useful to read with regard to the large permanent committees of 1848 a study published by M. de la Berge in the *Revue des Deux Mondes* of December 1, 1889.

³ Proposition of the resolution relating to the Standing Orders of the Chamber and having for object the establishing of six permanent commissions, submitted by the Deputy de Jouvencel (Annex 70, November 21, 1885).

LEGISLATIVE COMMISSIONS ON BUDGET

It was due to its permanent committees that the Revolution brought about such immortal results. "If a similar work were suggested to our Chambers as organized, their failure in executive capacities would soon show the inferiority of their means of operation."¹

Under this pretext is hidden consciously or unconsciously the same motive revealed by historical precedent, that of reducing the ministerial authority and dismembering the executive power. M. Léon Say explained it to perfection in an article which has already been cited:

"The Commission on Budget wants to put itself in the place of the administration and to prepare the budget itself instead of being satisfied with receiving it for the purpose of control. The president of the Commission on Budget has become to some extent the First Lord of the Treasury and he has appointed to serve under him, as in England, a certain number of Secretaries of State. The opponents of ministerial power see at once the benefits they could derive from this new institution." (January 15, 1885.)

Conflict
Between
the Execu-
tive and
the Com-
mission

The effect would be so much more certain, since the competency of the members of permanent commissions would meet to a larger extent the expectations of the promoters of the plan to reestablish permanent committees.

Here lies the danger of the system. Barring this feature, permanency of committees would present real advantages. If this institution yields favorable results in the United States, it is because an important portion of the executive power is regularly assigned to the committees of Congress, which, in

The Weak
Spot

¹ Resolution having for the object the establishing of annual Commissions, recruited at will and corresponding to the large branches of public services, presented by Deputy Georges Graux (Annex 639, March 20, 1882). This last proposition does not tend to create permanent committees, but only annual Commissions. "We are not going, gentlemen, to suggest to you the reestablishing of permanent committees. Without recalling the memories of excesses committed by the Committee of Public Welfare, it is certain, however, that permanent Committees can cause a confusion of powers and encroachments of the Legislative on the Executive Power." A new proposition to establish 15 large permanent Commissions was defeated on June 11, 1894. Another proposition was made by M. Henry Maret, July 4, 1898.

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order to exercise their powers, no longer need to encroach upon executive authority.¹

Reports Prepared by the Legislative Commissions [or Com-mittées]: The commissions on budget—working behind open or closed doors, permanent or not permanent—study the plan of the budget either directly in the course of their meetings, or by demanding from the branches of the administration and from the ministers written opinions, or, finally, by summoning the ministers and their subordinate service managers to appear before them. When these studies are completed, and, when each one of the suggested resolutions has in succession been discussed and voted, the commission presents the result of its work in a report, which is followed by the text of the commission's bill.

Multiplic- ity of Reports

In former times a single report, the general report on budget, was sufficient. Now, each ministry and each branch of service forms the subject of a special report; its author takes advantage of this fact in order to compile a volume and often a bulky one.² As M. Léon Say says: "The institution of special reports has greatly prospered in the Chamber of Deputies. Eight reports were made in 1878 in the National Assembly; there were twelve in 1877 in the Chamber of Deputies, fourteen in 1878, fifteen in 1879, nineteen in 1883, nineteen in 1884." Now there are about twenty-five or thirty.³

¹ [With respect to this suggestion, there is this to be said of it: The author begins with "If"—as a matter of fact the standing committee system here has produced very bad results; the encroachment on executive power has not been by assignment, but by a gradual process of crowding in. In contemplation of constitutional law as originally conceived, Congress has usurped the powers of the executive and to that extent usurped if not destroyed the principle of "responsible government."—The Editor].

² A report relating to the ministry of commerce in the budget for 1888 constitutes an encyclopedia, which gives all honor to its author, M. Felix Faure, and which everybody would like to have outside of the annual collection of the reports on budgets. The same is the case with the report on Fine Arts for 1900 and a good many others, where the authors have prepared a long historical and theoretical treatise whereby the chapters of the budget for the fiscal period which has to be voted are treated only on a few pages at the end of the treatise.

³ The Senate has finally yielded to the temptation of the manifold reports; only the reports of the ministry are less extensive in the Senate than in the Chamber of Deputies.

LEGISLATIVE COMMISSIONS ON BUDGET

The general report continues to recapitulate the totals of revenues and of expenditures.

This general report is followed by the text of the fiscal bill, as drafted by the commission on budget. This text, even when it reproduces the provisions of the bill as made by the Government, becomes a new draft, which the commission submits as its own, excluding all other bills from discussion by the Assembly. If, later, the Minister of Finance tries to revise certain articles of his plan, which were killed, he can do it only by presenting them in the form of amendments.¹

The drafting of the reports and the submitting of the final text of the fiscal bill, which the Chamber orders to be printed and which it distributes among its members, are the two results of the work of the commission on budget.²

The
Results

The Discussions on the Fiscal Law: The "public discussion," which immediately precedes the vote, has two phases indicated by the following formula: the public discussion submits to the deliberation of the assembly of the representatives of the country, first, the total, and then, the details of the fiscal bill.

The public discussion is therefore divided into a *general discussion* and a *discussion by article*.

The "general discussion" must, as a rule, open the debates. The "general discussion"—by viewing the situation in its totality, by treating the question from the highest possible point of view—must serve as a guide and as a regulator for the "discussion by article." This rule was not observed with regard to the budget for 1908 because of special circumstances and in spite of protests from several members of the Assembly.³

The
General
Discussion
of the Bill

¹[Under the French system, first an executive budget is submitted, then a legislative budget (the draft of the budget commission) follows, which comes before the lower house as an authoritative measure. But each is a definite, well-rounded, carefully-considered financial plan. In the United States there is no such plan proposed and submitted either by the Executive or by a committee of Congress.—The Editor.]

²The work of the commissions is not completed when they submit their plans. The members of the commissions, and particularly those members who have to report on the plans, must intervene in the course of the public discussion.

³A decision passed by the Chamber of Deputies on October 29, 1907, stipulated that "the general discussion is closed the moment the discussion of the articles of the fiscal law begins," that is, after all the chapters of the expenditures on schedule A have been voted.

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The Tenor
of the
Debates

The speakers who take the floor in the general discussion¹ criticise or approve the proposed budget in its main outlines, recapitulate the past, and try to penetrate the future—in a word, outdo each other in generalizations. The “general discussions” of recent budgets, for instance, related specially to the economies to be effected and to the reforms of taxation to be achieved. These are the principal points which engage the public mind. All parties preach economy; the party in power, however, states that if the expenditures are heavy, the blame lies in “the tragic fate which weighs on Europe and drives all nations to ruin themselves on armaments.” But, contrasted with the barren expenditures for war purposes, the budget includes productive expenditures, which will benefit the country by developing new sources of wealth. Finally, eliminating the two main items of expenditure, for war purposes and for public works, the balance can be no further *reduced*.² This apology is violently contradicted by some people, who, on the basis of figures, denounce the advancing tide of expenditures, in spite of promises and resolutions made on the floor of the Chamber. According to their opinion, a better administration of public funds would, to a large degree, reduce the budgetary figures.

Topics
Debated

So far as fiscal reports are concerned, the general discussion deals with them particularly when they form the main feature of the budgetary combinations of the Government. Plans for abolishing duties on wine, licensing of distilleries, imposing of taxes on income, changing of the inheritance tax, increasing of large fiscal monopolies, etc., were for several years the main topics of general discussion. For instance, with regard to the budget for 1908, proposed taxes on mov-

The objections raised to the method of procedure have anticipated that the general discussion finding itself no longer in its place must necessarily be shortened. This discussion lasted but a single day, taking up two sessions, the morning and the evening session of December 6, 1907. Fortunately the quality of the speakers such as MM. Ribot and Jules Roche, to whom M. Caillaux responded, made up for the brevity of the discussions.

¹ The president announces in the following terms the opening in the general discussion on budget: “The order of the day calls for the discussion of the bill relating to the budget for the fiscal period. . . . The general discussion is opened.”

² As soon as the expenditures are elastic and the statistics have proved to what extent they were extended, it should be possible by an inverted procedure to reduce them more or less: logic condemns the barbarian and absolute term “incompressibility.”

LEGISLATIVE COMMISSIONS ON BUDGET

able property, a stamp tax on checks, bills of exchange, etc., and a new system of personal estimating of real estate revenues from undeveloped property—forerunners, it seems, of the income tax—were hotly attacked and defended in turn.

For 1912 the continuous increase of expenditures, exceeding 3,500,000,000 in three years, became the main subject of recriminations. Only one session (meeting), however, during which seven speakers took the floor was devoted to the general discussion, in order to gain time.

Three classes of speakers must always be distinguished in these budgetary tournaments. First, the speaker of the Opposition, attacking mercilessly the entire financial policy, declaring that the country is headed straight for ruin, that the public funds are wasted; he may take, however, another tack and assert that the country is suffering from a fatal inertia, that the cart is getting stuck, that the large social reforms should be approached frankly at any cost, etc.—the tenor of his remarks depending on whether he is a member of the extreme Right or the extreme Left. Then comes the moderate speaker, who is, in fact, a partisan of the governmental system and a defender of the laws, but under this cover he is quite liberal in his warnings, always ready to attack the positions of his predecessors and thus to earn the applause of the center party. Finally, the official speaker, the minister, the commissioner of the Government or the deputy in charge of the general report takes the floor.

Three
Classes of
Speakers

In all cases those minds dealing in generalities speak during the general discussion, while the defenders of particular interests, the deputies who try to get subsidies for their constituencies, reserve their activities for the discussion by article. Violent and abusive language prevails; pettiness and incapacity are pointed out again and again. There is no doubt that very often corrupt politics inspire these attacks, but these temporary incidents are obliterated by the impression made by beautiful speeches which live in the memory and which are delivered before the Chamber and the Senate. Unfortunately, at present, in order to gain time, things are cut short which should not be hurried.

As soon as the list of speakers requesting the privilege of the floor is exhausted, or when the Chamber manifests a desire to finish the discussion, the president announces the closing of the general discussion by saying: "I submit to vote the question of closing the general discussion . . . the dis-

THE BUDGET

The Discussion by Article

cussion is closed." Then follows the "discussion by article."

The discussion by article of the fiscal law, as well as any other law, treats successively each article of which the law is composed. We have to deal in this connection with "articles of the law"; we emphasize this in order to avoid any possible confusion with the "articles" which form subdivisions of chapters, which will come up later.

The president reads, or causes to be read, in rotation, all the articles of the fiscal law. In case one of these refers to an annexed schedule, the latter is discussed.¹ Thus, the president comments on article I, referring to schedule A *annexed to this law*—"Before submitting article I for discussion, I beg to call the attention of the Chamber to the fact that it has to vote schedule A."

Both the discussion and the vote are concentrated on this annexed schedule, which shows the details of expenditures of the different ministries arranged by chapter, including about a thousand figures and items, occupy the sessions for several months.

Then, returning to the total of article I, the Chamber votes on this article and passes to the following articles with the same formalities.

From the point of view of "specialization" of expenditures this series of partial votes raises grave questions of a constitutional nature, which will be discussed later.

¹ Only for the expenditures. Because with regard to revenues where there is no question of specialization, the vote on the annexed schedules is taken in lump with regard to the article referring to these annexed schedules.

CHAPTER XIII

SPECIALIZATION [SPECIAL FUNDING OF DIFFERENT ACTIVITIES] THE RESULT OF VOTING BY CHAPTER

Voting by Chapter; Tendency Toward Specialization; The Acts of the Constitutional Assembly; The Principles of Specifications; Too Much Latitude; Specifications Limited to Sections; Voting by Chapter Inaugurated in 1831; Reactionary Legislation; Definition of the Chapter.

Definitions of the Chapter: What is a Chapter? Chapters Are Variable; Number Increased, Importance Diminished; Struggle Over the Chapter; Arguments Against Subdividing the Chapter; Shall the Chambers Administer the Finances? The Legislature All Powerful.

The Final Voting on the Budget: Parliamentary Routine.

We have seen that the tables attached to Article I of the budget law set forth in detail with figures and legends the total of ministerial expenditures. Each figure, with its legend, constitutes a *budgetary chapter*, which is successively submitted to discussion and to a special vote. In the majority of cases, the discussion is short, or there may be none at all, the ballot being taken immediately by "rising vote." However, the formality shows what is called the *specification by chapter*, which means that each chapter, sanctioned by special vote, becomes an entity¹ provided with a distinct appropriation, the limits of which the executive power must strictly respect.

Voting by
Chapter

The precedents and the importance of this specification by chapter deserve to be dwelt upon.

These "specifications" of the vote on public expenditures could apply to one or the other of the following budgetary subdivisions: expenditures *en bloc*, expenditures by ministry [each department], by section of the ministry [organic divi-

¹[Contrast this with the British practice of voting on each item (or "vote") separately in committee of the whole before the appropriation bill is introduced, which avoids all the difficulties which the author points out in the French system.—The Editor.]

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sion of a department], by ministerial chapter [groups of items], by article or by paragraph [item of appropriation] We see from this how the limitations gradually draw closer, and how the legislature ties the hands of the executive more and more.

Tendency
Toward
Specializa-
tion

These are precisely the steps by which financial history, from the beginning of the century, has gradually developed. Budgetary specification has developed from a vote *en bloc* by ministry to a vote by section of a ministry; finally, it has come to a vote by chapter, where it now stands, showing the tendency to descend as far down as to the vote by paragraph and by article in accordance with [legislative] suggestion.

The Acts
of the Con-
stitutional
Assembly

Under the Constitutional Assembly, expenditures were shown in two or three totals, that is, almost *en bloc*. Thus, the law of February 18, 1791: "There shall be provided in the Public Treasury the following funds in 1791: (1) An amount of 282,700,000 livres; . . . (2) The sum of 300,000,000 livres; . . . these two total 582,700,000 livres." This law of February 18 is the only law which anticipated expenditures for an entire year. If the Constitutional Assembly thus ignored the rules of specification, its fault lay in its ignorance. Having inherited no rule or tradition in budgetary matters from the old régime, the Constitutional Assembly had no time to build up anything for itself. Otherwise, its natural instinct would have led it spontaneously to a restriction of the powers of the executive by means of a specification of votes.

The assemblies of the Consulate and of the Empire also voted the expenditures *en bloc*,¹ or nearly so.

¹ The first budget of the Consulate, fixed by the law of 19th Nivôse of the year IX of the Republic, had the following legend: "Article 1. The amount of 415,000,000 is put at the disposal of the Government for the expenditures of the various ministries during the year IX." See our work: *Les Finances du Consulat*, 1902.

Under the Empire, while the same system prevailed, the law of September 15, 1807, read as follows: "Article 15. The amount of 600,000,000 is put at the disposal of the Government on account of the expenditures for the year 1808." This lump sum of 600,000,000 constituted thus the only official budget for 1808. On November 25, 1808, toward the end of the year, the following new law was passed: "Article 3. The amount of 130,000,000, making with the 600,000,000 mentioned in Article 15 of the law of September 15, 1807, the total sum of 730,000,000, is put at the disposal of the Government." Then Article 5 continues as follows: "This amount shall be used first for the payment of the public debt and then for meeting general ex-

RESULT OF VOTING BY CHAPTER

At the beginning of the Restoration, as may be remembered, theorists proposed to restrict still further the budgetary power of the representatives, by limiting it to a vote on revenues, leaving the Government with the power to allot the entire amount of voted subsidies at its discretion.¹

However, the real principles of budgetary law could not fail to establish themselves. The law of March 25, 1817, inaugurated the specification of expenditures by ministry in its Article 151: "The expenditure shall not exceed the aggregate appropriation made for each of them (meaning the ministers). They shall not expend beyond this appropriation and shall be held responsible for doing so." Each ministry has since been the subject of a separate group of appropriations beyond which the executive power could not go. The deficits in one group could not be offset by the surplus in another, or *vice versa*. In a word, following the text of the law, the ministers could not expend beyond the limits of their several appropriations.

The
Principles
of Spec-
ification

This innovation has unquestionably brought about considerable progress, by establishing the principle of specification. This principle, however, though extended to an entire ministry, left too much latitude to the Executive, because the ministers, once the fiscal law had been voted, were free to move at will within the limits of the appropriations, ranging between 100, 120 and 190,000,000. The Liberal Party, therefore, has not ceased to protest against the laxness of the system, which, according to their opinion, was liable to produce the gravest kind of abuses. The proofs, which they furnished for their contentions, were exaggerated, but still fairly typical. For instance, in the ministry of the interior, there were, alongside of each other, appropriations for theaters and for the clergy; it was therefore to be feared that the Executive,

Too Much
Latitude

penditures of the service as follows." (A table shows then 21 items of expenditures together with their figures.) From the beginning of the year until November 25, that means that during almost eleven months out of twelve the Imperial Government has maintained itself on this lump sum of 600,000,000 appropriated by the law of September 15, 1807. Only for the last month of the year there appears a summary distribution constituting an indication rather and not any longer a limitation.

The same law of November 25, 1808, provided in turn for the year 1809 as follows: "Article 10. The sum of 600,000,000 is put at the disposal of the Government on account of the expenditures of 1809."

¹ See Chapter II.

THE BUDGET

through an arbitrary diversion¹ of funds, might secretly enrich the clergy by spoliation of the theaters. How the times do change!

Specifi-
cations
Limited to
Sections

In 1827,² de Villèle limited the specifications to the sections of each ministry. The preface to his ordinance of September 1, 1827,³ read:

"In order to determine with precision the special appropriations within which our ministers shall henceforth utter their orders for payments, special sections shall be established in the budget, which shall limit the expenditures of each branch of the service (work). . . ." The text of the ordinance read as follows: "Article 1. Beginning with the fiscal period of 1829, the plan of the General State Budget shall present direct the estimates of expenditures by *the main branches of the services* (works), in conformity with the attached table which shall be drafted each year and submitted for approval by the ministers."

In consequence thereof, the vote of the budget for 1829 applied not only to seven ministries but to fifty-two budgetary subdivisions; thus the reform had a certain value. Its fault, however, lay in the origin, because this reform emanated from a simple ordinance, the right to revise which the executive branch reserved for itself. Furthermore, the sections formed subdivisions of considerable extent, some of them carrying amounts varying from 25 to 169,000,000 (pay and maintenance of the Army, for example).

¹ In fact, however, although no sanction has attributed a limiting effect to the votes passed by the Chamber on the chapters, paragraphs and articles, we have seen that the Government of the Restoration submitted to them. This, however, was only done by condescension. See on this subject the discussion relating to an amendment by Benjamin Constant, which was rejected.

² Since 1820 the commission on the budget of expenditures has taken the initiative by making the suggestion tending to substitute the voting by chapter to the voting by ministry. This plan has caused a very sharp controversy; it was opposed by M. de Villèle, Deputy, and M. Roy, Minister of Finance; action was postponed by the Chamber in spite of the efforts of Benjamin Constant and of General Foy.

³ The ordinance of September 1, 1827, is the last of financial ordinances issued through the initiative of M. de Villèle.

RESULT OF VOTING BY CHAPTER

The Revolution of 1830 brought a decisive step. Voting by chapter was introduced by the law of January 29, 1831, which read as follows:

Voting by
Chapter
Inaugurated
in 1831

"Article 11. The budget of expenditures of each ministry shall henceforth be divided into special chapters; each chapter shall contain only subjects and works which are correlated or of the same nature. . . . Article 12. The amounts allotted by law to each of these chapters cannot be applied to other chapters."

Thus the voting by chapter was established in France. As this system of voting is still in use, our historical outline would therefore come to an end with 1831, if it were not for the fact that, under the Second Empire, the whole ground was again gone over. "Specification" by chapter, established by the law of January 29, 1831, survived until the end of the July Monarchy and passed unscathed through the period of 1848. In 1852, however, there was a return to the vote by ministry (Constitution of December 25, 1852).¹ In 1861, the vote by ministry was succeeded by the vote by section. (*Sénatus-Consulte* of December 31, 1861.²) Finally, the vote by chapter was reestablished in 1869. (*Sénatus-Consulte* of September 8, 1869.³)

Reactionary
Legislation

After the downfall of the Empire, the law of September 29, 1871—confirming the provisions of the *Sénatus-Consulte* of September 8, 1869—stipulated: "Article 13. The budget shall be voted by chapter."

¹ The *Sénatus-Consulte* of December 25, 1852, which interpreted and changed the Constitution of January 15, 1852, expressed itself as follows: "Article 12. The budget of expenditures is submitted to the legislative body with its administrative subdivisions by chapter and by article. It is voted by ministry."

² The *Sénatus-Consulte* of December 31, 1861, which changed the Articles 4 and 12 of the *Sénatus-Consulte* of December 25, 1852, reads: "Article 1. The budget of each ministry is voted by section in accordance with the list attached to the present *Sénatus-Consulte*."

³ The *Sénatus-Consulte* of September 8, 1869, which changed various articles of the Constitution, as well as Articles 3 and 5 of the *Sénatus-Consulte* of December 25, 1852, and Article 1 of the *Sénatus-Consulte* of December 31, 1861, reads: "Article 9. The budget of each ministry is voted by chapter in conformity with the list attached to the present *Sénatus-Consulte*."

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DEFINITION OF THE CHAPTER

First of all, what is a chapter? For a long while this word has been used without a definition. We have only stated that, on the downward scale of budgetary subdivisions, the chapter occupied one of the lowest places, only the subdivisions of paragraph and article being found below it.

What is a
Chapter?

The decree of May 31, 1862, declared: "Article 56. Each chapter shall contain only correlated divisions of a particular service (work), or divisions of the same nature."¹ Can any definition be deduced from this text? Is it enough to declare that a chapter is a portion of the budget containing correlated divisions of a particular service, work of the same nature? Evidently not; because a section, a ministry, contain only correlated divisions of the service—work of the same nature. And if, instead of going upwards to a section or to a ministry, we descend below the chapter to the article and to the paragraph, the division of service (work) (becoming still more limited) possesses to a much larger extent the quality of being correlated or of the same nature. As a consequence, this formula would apply without distinction to subjects which it precisely tries to distinguish from each other.

Chapters
are Vari-
able

Before embarking on a search for another definition, it is well to admit that the word "chapter" cannot be defined in a precise way. Chapter in fact represents a conventional entity (*personnalité*), variable and uncertain, which the public powers can at will enlarge or restrict: the number and the importance of chapters have constantly varied to meet the whim of those who prepare the budget. Speaking of the specification of budgetary subdivisions, Royer-Collard said: "It is immaterial whether they call them chapters or some other name." (April 18, 1822.) In the same way the deputy reporting on the bill, which became the law of January 29, 1831, wrote as follows: "The principle of classification, once adopted, it is immaterial what name shall be given the divisions." (Report of November 5, 1830.) The chapter, therefore, does not define itself; it has no character of its own; it exists only as a link in the chain of budgetary subdivisions. The chapter is below the section and above the paragraph and

¹ This article of the decree of May 31, 1862, is taken from Article 11 of the law of January 29, 1831, which has been cited above.

RESULT OF VOTING BY CHAPTER

the article; it can be personified only with regard to its relation with its two neighbors. In order to define the chapter, we have only to specify its *relative* position: "The chapter is a budgetary subdivision, broader than the paragraph and the article; it contains, within each ministry or ministerial section, the divisions of the service which are correlated or of the same nature."

The number of chapters has increased greatly since 1831, and as a result thereof their average importance has diminished considerably, in spite of the growth of the budgets. In 1831, at the beginning of the specification plan, there were only 164 chapters. There were 338 in 1847; 362 in 1852; 388 in 1877; for 1882 it contained 482. In the budget plan for 1884¹ the Government created 156 new chapters; their number was thus increased to 637 in the ordinary budget. The budget for 1906, with its annexed budgets, contained 984 chapters,² and the budget for 1913 almost 1,000. There are, therefore, nowadays, six times as many chapters as there were in 1831.

Number
Increased;
Importance
Diminished

Their average individual weight in 1831, when the budget did not exceed 1,000,000,000, was about 6,100,000 francs. Nowadays, although the budget amounts to 4,664,000,000, the average individual amount of a chapter is about 4,700,000.³

¹ "The chapters are not always established in conformity with the rules outlined by Article 11 of the law of January 29, 1831, by terms of which every chapter should contain only those branches of service which are correlating or of the same nature. In fact in certain ministerial departments they at times confuse the expenditures for personnel with the expenditures for material, and even among the expenditures for material there are often found entries which do not have the similarity which is demanded by the law. The only real practical purpose is to follow the specification by the nature of expenditures. The increase in the number of chapters and their better defined specifications will undoubtedly enclose within more narrow limits the power which the ministers have to move within one and the same chapter." (Budget plan for the fiscal period 1884. Statement of supporting arguments of the Minister of Finance, March 3, 1883.)

² The total number of chapters of the budget plan for the fiscal period 1906 is distributed as follows:

General budget, Schedule A.....	898 chapters
Annexed budgets	86

Total 984 chapters

³ The average figures have in this connection as always a very

THE BUDGET

Struggle Over the Chapter

The Executive in 1883 undertook to increase the number of chapters to meet the attack of the more radical exponents of parliamentary initiative. These attacks urged a positive control by the legislature on all expenditures, regardless of amount. It was therefore necessary to give to the legislature the opportunity to exercise this control, over even the most insignificant items, in case these attracted its attention. The weapon of the vote of the legislature must be able to strike when it is deemed proper; otherwise, the Government could abuse the much too large latitude allowed under the vote by chapter, as has been seen: ¹

"It is necessary to give up this illegal procedure, which has been left us by the monarchy and which, if perpetuated, would have been liable to render void the action of the legislature with regard to appropriations, to jeopardize the administration of finances and to discredit the legislature itself, a situation to which we could by no means be indifferent." (Bill relating to the method of voting the budget, December 23, 1882.)

incomplete significance. Certain chapters reach the total of 655,000,-000, while others do not exceed 1,000 francs. The average figures have no basis at all in this immense stretch between 1,000 francs and 655,000,000.

¹ Thus in the report on the fiscal period 1876, submitted by the *Cour des Comptes* to the President of the French Republic, is to be found the history of an appropriation of 1,284,815.15 francs allotted to the Government to meet the expenditures of transporting Spanish refugees, whereby the reservation is made, which was expressly formulated in the course of the discussion, that no *train de luxe* shall be put at the disposal of the most prominent of these refugees, the Pretender Don Carlos. (Session of December 8, 1876.) Still the accounts of the Central Disbursing Cashier relating to the fiscal period of 1876 contain a voucher for a disbursement of 6,654.90 francs to railroad companies for a special train intended to convey Don Carlos; this expenditure was charged against the aforesaid appropriation.

The Government claimed to have acted within the limits of its instructions, because the appropriation of the chapter was not exceeded; only a specified vote by article or by paragraph could have tied the Government more closely. The *Cour des Comptes*, however, wisely observed as follows: "It deemed it necessary to point out the irregularity because its mission is to inform the Legislature every time the latter's intentions are not respected." These facts became the subject of a discussion in the Chamber of Deputies and of a vote involving the responsibility of the Minister, March 25, 1889.

RESULT OF VOTING BY CHAPTER

The conclusion was that the voting should go as far as the paragraph and the article.

There are many objections to these arguments: first, the legislature would lose an excessive amount of time, if it tried to vote, one by one, the two or three thousand paragraphs of the budget of expenditures. Furthermore, the action of the Government would be hampered at every step by the too narrow limits of the vote by article; it would be necessary constantly to ask the legislature for supplements, covering this or that, the allotment for which had been insufficient. This would involve heavy costs, because, in case of appropriations too far subdivided, each allotment is expended in totality without prejudice to the supplements, which are demanded for those insufficiently endowed; when the subdivisions are more extensive the administrations, strictly speaking, may balance their deficits with their surpluses. Thiers said in 1830: "Too many divisions lead to too many expenditures, because of the natural disposition of the disbursers to exhaust their appropriations."

Arguments
Against
Subdivid-
ing the
Chapter

Furthermore, a good many people would like to let the Chambers administer the finances. The legislature, as we have mentioned time and time again, possesses incontestably the right to vote the public revenues and expenditures. But if this right, through a fatal logic, should be carried to its extreme limit, it would not be possible for the vote to stop at the article, because the article is subdivided into paragraphs; neither should the vote stop at the paragraph, for the paragraph is subdivided into items of partial expenditures upon which the attention of the legislature might also fix itself: thus the vote would go as far as the items under the partial expenditures proper, that is, as far as the vouchers and orders for payment; this would be the extreme limit. The Chambers, as a result, would be compelled to turn executives in order perfectly to control the administrations. The rule must be applied in a wise measure.¹ The fact of demanding from the deputies a thousand partial votes and of tying the executive power down by a thousand impassable limits, seems sufficiently to guarantee parliamentary control. To go beyond

Shall the
Chambers
Adminis-
ter the
Finances?

¹ In the English budget the number of "votes" or chapters to which the budgetary specification applies is about 250. The civil services include 150 votes at the maximum. The surplus of about 100 votes makes up the Estimates for the Army and for the Navy.

THE BUDGET

The Legislature
All-Powerful

that would clearly mean to exceed the proper boundaries.¹

This is so much more true, because it cannot be said that the ministers have power to upset the contents of the chapters at will without the authorization of the legislature. Thus recently, with regard to the establishing of new classes of professors at municipal colleges, the Minister of Public Instruction, anxious to rank them with the professors of academies (*lycées*), lost no time in submitting the matter to the legislature, although all that was necessary was to change the contents of chapter 43 of the budget of the ministry of public instruction, by means of shifting the articles, without demanding a supplement for the total of the chapters. But the reform in question was too important to be carried out under cover.² In the same way, in former times, the question of the censorship of plays was submitted to the Chamber of Deputies, where it caused long discussions, although the censorship service, as was pointed out, formed but an insignificant item in chapter 3 of the ministry of fine arts. Strictly speaking, the Executive might have diverted the 19,700 francs of salaries paid to inspectors of theaters, which sum was included in the total of 84,700 francs of chapter 3;³ but nothing seems to be possible without a decision of the legislature.

THE FINAL VOTING ON THE BUDGET

Parliamentary
Routine

After the chapters of expenditures in annexed schedule A are voted in succession, the total of the first article is submitted to the deputies. The discussion then passes to Article 2, and continues as before,⁴ from one article to another until

¹ Without greatly increasing the number of chapters it would be very useful, however, to classify them in a more rational way and to subdivide some of them on account of overcrowding.

² See on this subject, the question proper of voting by chapter, the very instructive remarks of M. Buffet at the session of the Senate on December 26, 1895.

³ So much more, as the censorship being established by decree and not by law, the Government had the decision in its hands from two points of view: nobody, however, has at any time suggested that the Government assume the entire responsibility. See the report of M. Antonin Proust on the budget of Fine Arts for 1891.

⁴ It is always understood that with regard to revenues the attached schedules do not form the subject of a detailed vote, as is the case with expenditures, since the budgetary specification ceases to be involved in that connection.

RESULT OF VOTING BY CHAPTER

the end is reached. The amendments, emanating from the legislative, are discussed, together with articles to which they refer; besides amendments there are at times additional provisions. The author of the amendments, or of the additional provisions, explains the reasons for their existence; one of the deputies reporting on the budget, or the chairman of the commission on budget, or a competent representative of the Government answers, unless someone else does so, and then the amendments or the additional provisions are balloted upon.¹

As soon as each article of the budget plan—drafted by the commission, or of the plans resulting from parliamentary initiative—has been definitely approved, the whole law is voted on, the final vote being by open ballot.

The budget, the discussion and voting of which are thus terminated, is the essential work of one legislature. Numerous and long sessions are devoted to this work and they cover a period of about three months, without mentioning the time consumed by the commissions in studying the budget plan and in drafting the reports. If the voting of the budget constitutes the most difficult work of the representatives of the country, it is at the same time the most powerful weapon in their hands.

¹ We mention, very briefly, in this connection, the special procedure relating to the submitting and the voting of amendments, because this procedure applies to all the laws in general. The provisions of the *regulations* of the Chamber do not come into force with regard to our subject, except in cases where financial questions are involved.

CHAPTER XIV

THE BUDGETARY POWERS OF THE TWO CHAMBERS

The Two Branches of the Legislature; The Supremacy of the Lower House; The Initiative of the Houses in Italy; The Conflict Over Tolls; Powers of the Two Chambers in United States; In Case of Conflict; Disagreement of 1871; Contest Over Army Appropriations; Upper Chamber Restricted; Supremacy of the Commons Far-reaching Act of 1911.

Budgetary Powers of the Two Chambers in France; Status of Chambers in France; The Crux of the Controversy; "Voted by the Latter"; Claims of the Lower Chamber; The First and the Last Word. Avoid Settling the Issue; Proposed Compromise; Pressure on the Senate.

Voting the Budget by the Senate: Routine of Voting; Official Journal.

The Two
Branches
of the
Legisla-
ture

According to the constitutions of all countries having a parliamentary form of government, the representative assembly, which is the original authority in budgetary matters, shares its legislative and financial powers with another chamber—one which is less directly dependent on popular suffrage than the Chamber of Deputies [elected assembly] and is often even appointed by the sovereign himself. This chamber is called either the Senate, the Chamber of *Pairs*, the Chamber of Grandees, the House of Lords, etc., or, in a more general way, the upper house. The budget law is not finally enacted until it is voted by the two chambers, which together form the legislature. When the Chamber of Deputies, the elected body, and the upper house vote the budget jointly—in some cases they do so with unequal powers—then the prerogatives, if any, rest with the Chamber of Deputies because of its origin.

The
Supremacy
of the
Lower
House

The most common of these prerogatives is that of priority, the initiative in examining and voting the fiscal law. This is not an empty precedent, because priority in matters of the budget is almost equivalent to supremacy. The party that first arranges the budget and puts its stamp on it stands a good chance to remain its master; it becomes difficult indeed

BUDGETARY POWERS OF THE CHAMBERS

subsequently to upset the combination which strikes a balance between revenues and expenditures. The majority of the fiscal laws which are at our disposal proclaim the principle that the deputies shall receive the budget plan directly from the executive and shall approve it first, after which the upper chamber takes its action. Only a few exceptions can be cited contradicting this rule of budgetary priority.¹

Italy, the United States, Sweden and other countries, with the exception of this prerogative, give equal powers to the two assemblies. Let us examine this first group of countries.

The fundamental statute of March 4, 1848, still in force in Italy, reads:

“Article 10. The initiative with regard to laws shall rest with the King and each of the two chambers. Every law, however, imposing a new tax or approving the balance sheets and the accounts of the State, shall first be submitted to the Chamber of Deputies.”

The Initiative of the Houses in Italy

The Italian Senate intervenes only in the second place. But it has the power to change, as it may deem proper, the budget which the Chamber of Deputies transmits; it can increase or reduce the figures of expenditures and of revenues at will, without the previous decisions of the Lower House affecting its initiative.

⁴ Thus, in 1879, and in the following years, the Senate persistently refused to approve the abolition of the tolls for grinding which was voted by the deputies. The tolls for grinding, established in 1868 upon suggestion of the Minister Cambay-Digny (Law of July 7, 1868), affected the grinding of corn into flour, the most essential thing of everyday life. The political party coming into power in 1879 promised to abolish this tax ² and the deputies voted on July 7, 1878, the

The Conflict Over Tolls

¹ In the German Empire the *Reichstag*, although elected by universal suffrage, does not have priority in re budget over the *Bundesrath* or upper chamber of the German Federation. In the majority of the States of the United States of America, priority is indistinctly attributed to the two chambers. In the same way in Switzerland, the same situation exists between the National Council and the Council of the States.

See the book of M. Morizot-Thibault: *Des droits des Chambres hautes, ou Sénats, en matière de lois de finances*, Paris, 1891.

² The tax on the grinding of corn was from its origin extremely unpopular in Italy. The intervention of the constabulary was often necessary to protect the engineers who had to install the meters and

THE BUDGET

complete abolition of all tolls beginning with January 1, 1883, but as the proceeds amounted to 80,000,000, the Senate, considering itself the guardian of the budgetary equilibrium, deemed it proper to oppose so considerable a decrease of revenues without any designation of new resources which would cover the deficit (June 25, 1879). Accordingly, the Senate voted adversely four times in succession, until the Chamber, realizing the necessity of meeting the issue, voted a series of taxes (an increase of taxes and dues on alcohol and oil, reorganization of the lottery, etc.), the proceeds of which promised to be equivalent to the proceeds of the abolished tax (July 19, 1880). Then, by mutual agreement, the odious toll on grinding disappeared definitely from the Italian budget, beginning with January 1, 1884.

Powers of
the Two
Chambers
in United
States

The equality of powers of the two chambers in budgetary matters, as we have said, can be found also in the United States, the Constitution of which recites: "Section 7. All bills for raising revenue¹ shall originate in the House of Representatives; but the Senate may propose or concur with amendments as on other bills." (Federal Constitution of the United States of September 17, 1787.²) The *Etudes de droit*

to control their working in the mills. The large proceeds of the tax were its only excuse. The very moment that the Italians considered themselves to be wealthy enough, they did not hesitate to repudiate (very justly by the way) this tax imposed on an object of first class importance which fiscal science, as shown by us in the *Systèmes généraux d'impôts* absolutely condemns in accordance with popular sentiment.

¹ "The text of the Constitution proposed originally at the Convention in Philadelphia provided that the bills for raising or appropriating money, that means that bills of revenues as well as the bills of expenditures should first pass through the House. The text which was finally adopted did not carry this privilege except for the first category of bills (for raising revenue)" (*Etudes de droit constitutionnel*, by E. Boutmy). Nevertheless, the author adds, according to a custom which is as old as the Constitution itself, the bills of expenditures pass, just as the bills of revenue, first through the House of Representatives.

² There are in existence in the United States three distinct powers: the Executive Power, the House of Representatives and the Senate, each with its own domain defined by the Constitution: "The Convention of Philadelphia," says Boutmy, "permeated to a degree of superstition by the theory of Montesquieu, exercised all possible care to keep these powers separate. The routes which the Convention traced for these powers are invariably parallel; they do not cross each other anywhere. They can see each other, they can threaten each other with looks or with distant words; but there is no cross-

BUDGETARY POWERS OF THE CHAMBERS

constitutionnel, by Boutmy, defines the budgetary powers of the Senate as follows:

"The fiscal bills voted by the Representatives are sent to the Senate, which has the right to amend and frequently avails itself of this right. At times it has even abused this right. When a fiscal bill, amended by the Senate, is returned to the House, it is generally very late in the session. It is, therefore, the rule with the House not to take cognizance of the amendments of the Senate: the House may refuse to accept them without even hearing them. If the Senate insists on its amendments, by mutual agreement the bill is referred to a joint conference committee formed of three Representatives and three Senators. This committee examines, discusses, and makes an adjustment which it submits together with its report to both Houses of Congress. Does a detailed discussion then begin in the House? Not at all. . . . The House as well as the Senate must either accept or reject the entire bill as reported from the committee. It is easy to see the immense advantage which the Senate derives from such a procedure. . . . It suffices that three Senators, the members of the committee, show a little determination in order to carry through the majority of amendments proposed by the Senate, which the Representatives will be forced to ratify for lack of time to do anything else."

In Case of
Conflict

The American Senate has at various times availed itself of the prerogatives with which it was endowed by the Constitution. In 1871, for example—at the time the budgets [appropriation bills] were balanced with large [revenues] surpluses, which had already permitted the abolition of nearly 1,200,000,000 of taxes since the end of the Civil War—the Senators were advocates of a protective tariff and the Representatives of the principle of free trade; not being able to agree on the subject of tax reduction, it became necessary to convene

Disagree-
ment of
1871

road where they can meet, clinch and engage in a struggle which would give to the one or to the other the advantage and the last word."

The House of Representatives and the Senate together form the Congress, in which they represent two different elements: the House of Representatives is representative of the people of the United States, which is considered to form a single nation. The Senate personifies the Federal States.

THE BUDGET

several conference committees. The House wanted to reduce the customs dues, while the Senate insisted on reducing the internal revenues only. The conflict lasted more than a month. Finally, an agreement was reached to reduce taxes by 260,000,000 francs instead of 100,000,000 francs, in order to satisfy everybody concerned.

Contest
Over Army
Appropriations

At the end of the fiscal year 1875-1876, the discussions were renewed on the Army Appropriation Bill. The House was firmly bent on reducing these appropriations to an extent which seemed excessive to the Senate: a series of items was affected, totaling 15,000,000 francs. On the general principles they failed to come to an agreement. The fiscal year expired without a vote being taken: the payment of the Army had to be suspended. "We have an army," said the President's message, "which is authorized by law and has a just claim to pay, with no funds available for this purpose." Finally, a temporary appropriation was voted, and then a new adjustment, bringing the definite reduction down to 10,000,000 francs, enabled the War Department to resume its regular activities. No conflict of such grave nature has since occurred.

In another group of states—Belgium, Holland, Prussia and England—there are restrictions in addition to giving the initiative to the lower house, limiting the powers of the upper chamber.

Upper
Chamber
Restricted

Thus, no new expenditure, or any increase of a tax, can be proposed or voted initially by the Belgian Senate.¹ In Holland the rights of the First Chamber of the States General consist only in approving or rejecting *en bloc* the fiscal law. In Prussia, the upper house can approve or reject the budget *en bloc*.

In England, "according to a rule which has the force of law without being written down in any statute,"² the initiative

¹ The Belgian Senate, however, can amend or turn down the entire fiscal plan emanating from the Chamber of Representatives.

² Boutmy wrote on this subject as follows: "In 1793 Hérault de Séchelles made a demand to the National Library for a copy of the Laws of Minos. The same mistake would be committed if someone should suggest looking for the 'text' of the English Constitution." Further on he adds with regard to the House of Lords: "Let the Constitutional texts be consulted on the division of Parliament into two Chambers. This division originated before 1350 and has perpetuated itself since without any law. And how about the right of priority of the House of Commons in matters of taxation? This right,

BUDGETARY POWERS OF THE CHAMBERS

with regard to fiscal laws rests with the House of Commons," says Lord Brougham in his article in the *Dictionnaire de la politique*. The House of Lords in England, like the upper chambers of Holland and of Prussia, possesses no other alternative than to approve or to disapprove the budget *en bloc*. In England this results not so much from a fatal lack of power as from the fact that the "appropriation act," the budget itself, is voted by the Commons about April, as has been shown in a preceding chapter.¹ At this time of year the House of Lords has a space of time obviously insufficient for a study of the fiscal law [after it is passed in the lower house] and will not take the risk of sending it back to the Commons. The budgetary function of the House of Lords, therefore, is only a formality, analogous to the solemn act of royal sanction given to the "appropriation act."

Supremacy
of the
Commons

The formulas used in the annual Speech from the Throne suffice to show this fact: "My Lords and Gentlemen," says the king in the beginning. He says: "Gentlemen of the House of Commons," however, when finances are mentioned. "Gentlemen of the House of Commons, I have given orders that a statement of the funds necessary for the operations of the year be submitted to you. . . ." Then returning to foreign affairs, the King again refers to the Lords and Gentlemen. The act of Parliament of August 18, 1911, has greatly reduced the subordinate position of the House of Lords in financial matters.

In fact, after the budget for 1909-1910, presented by Mr. Lloyd-George and voted by the Commons on November 4, 1909, was rejected by the House of Lords,² a grave conflict broke out and the dissolution of Parliament followed. It was necessary to submit the issue to the people. As the elections

Far-reach-
ing Act
of 1911

which is expressly stipulated in the Constitution of the United States and in our Constitution, is based in England only upon long usage." (*Etudes de droit constitutionnel*, above cited.)

¹ [The author must refer to voting on the Estimates in committee of the whole before the "budget" or general financial plan is submitted to the House of Commons in what is known as the budget speech. The annual finance bills usually are introduced and passed later in the year.—The Editor.]

² On November 30, 1909, the Lords voted the following amendment by Lord Lansdowne: "The House of Lords could not possibly give its consent to the fiscal law so long as the latter was not submitted to the judgment of the people." Three hundred and fifty votes were cast pro and 75 contra.

THE BUDGET

returned a majority supporting the Executive, the House of Lords had to accept a reduction of power in financial matters, which became a law by the *act of Parliament*, August 18, 1911. The main provisions of this historical document are these: (1) The money bills¹ are presented first to the House of Commons (this is but a confirmation of an old rule); (2) the concurrence of the House of Lords, in order to give the money bills their full effect, is requested. It is noteworthy how vague and alarming is the term *concurrence*; (3) one month's time is given to the House of Lords for the study and discussion of the money bill, and for expressing its opinion thereon; (4) at the expiration of one month, if the House of Lords should refuse to approve or fail to reach a decision, the bill, by the sole will of the House of Commons, is transformed into a definite law, after being sanctioned by the Crown.

In financial matters the House of Lords is thus reduced to the rank of an academic body which can discuss, write and influence public opinion during one month, but which has only the right of deciding in the affirmative. The House of Lords is henceforth forbidden to reject a money bill.

BUDGETARY POWERS OF THE TWO CHAMBERS IN FRANCE

Status of Chambers in France

It may be surprising that this review of the leading countries does not include France. As a matter of fact, it is difficult to assign a proper place to France. Each year the question of the respective rights of the Chamber and of the Senate is brought up in vain. The Senate generally yields with praiseworthy abnegation, but without receding from its claims, which defers the legal settlement of the question.

The conflict turns entirely on the interpretation of the text of the Constitution, which must be read with careful attention because each side finds in this text its own justification: "the initiative and the making of laws rests jointly with the Senate and the Chamber. The fiscal laws, however,² must

¹ The term "money-bill" applies to every law concerning national (not local) finances, budgets, loans, accounting, treasury, etc.

² All the laws on appropriations and on taxes are included in the term "fiscal laws" as used by the Constitution. The commentary on Constitutional laws by M. Poudra specifies this formally. He adds as follows: "From this general term 'fiscal laws' results the fact that all the laws which concern the public finances in any degree

BUDGETARY POWERS OF THE CHAMBERS

be submitted first to the Chamber of Deputies and voted by the latter." (Constitutional law of February 28, 1875, article 8.) The confusion grows out of the four last words: *voted by the latter*.

In order to avoid embarrassment, let us quote verbatim the explanations of the partisans of the one or of the other assembly.

Article 8 of the Constitution of 1875 is interpreted by the champions of the Senate's position in the following words:

The Crux
of the
Controversy

"It cannot be expressed more clearly and in more precise terms that the two Chambers have absolutely equal rights, yielding, however, to the Chamber of Deputies priority with regard to fiscal laws, which constitutes a considerable advantage, because the party making the budget remains its master."

As for the words, *voted by the latter*, which form the crux of the controversy, the sponsor for the Constitutional law of 1875 comments as follows:

"We have used the words 'submitted' and 'voted'; we have combined these two terms. Why? It was in order to avoid every possible subterfuge and the possibility of anybody's saying that the law has been submitted to the Chamber; if the Chamber drags along and shows bad faith, then we will submit the bill to the Senate, which can vote on it and in this way we shall be in a position to bear hard on the Chamber." (Speech of Senator Wallon, July 24, 1884.)

Thus, according to this commentary, the words *and voted by the latter* were added to the word *submitted* for the sole purpose of preventing the Executive from withdrawing the fiscal bill from the Chamber of Deputies immediately after submitting it, in case the Executive were so inclined.

So far as the deputies are concerned, the meaning to be given to the words *and voted by the latter* is entirely different. First, they assert: that the National Assembly voted Article 8 of the Constitution of 1875 without discussion; that

"Voted by
the Latter"

shall be submitted first to the vote of the deputies. This obligation exists for the laws which bear on the finances of municipalities and of the *départements*, as well as for those which bear on the finances of the State."

THE BUDGET

the deputy who reported on the constitution could not possibly judge retrospectively the intention of the voters on the basis of a remote reminiscence of his own intention; that the text alone is to be trusted. What does it mean, if not that the Chamber of Deputies must approve all financial measures before they can be discussed by the Senate? "The fiscal laws must, in the first place, be submitted to the Chamber of Deputies and voted by the latter." Therefore, when the Chamber of Deputies has failed to enter an expenditure in the budget, when it has failed to sanction the tax,¹ or when it has expressly rejected a proposition of revenue or of expenditure formulated by the Government, the Senate cannot discuss the subject further. How and what would the Senate discuss, as its own initiative cannot supply it with a text? In a word, all financial plans submitted to the Senate must previously have been voted by the other assembly.

"Either the words are meaningless or Article 8 of the Constitutional law has this meaning: that a fiscal law must first be voted by the Chamber of Deputies or else it cannot be voted by the Senate. If it were admitted that the Senate could vote first on an appropriation or a tax measure and such measure become law by the subsequent approval of the Chamber, it would mean that the Chamber has sunk into the second place, while, in fact, it should vote first. Gentlemen, this is absolutely obvious." (Speech of Deputy Jules Roche, session of December 30, 1883.)²

¹ The Senate, confronted by a bill on shooting before it was submitted to the Chamber of Deputies, found itself stopped by a legitimate scruple, coming to the article determining the price of shooting permits. Did it have the right to determine the rate of such a tax? The Senate decided to pass the thing over without expressing its opinion on the principle, the application of which the Senate deemed to be only of secondary importance in this particular case. (Session of the Senate of November 20, 1886, Amendments of M. Bozérian.)

In the same way, in the course of the discussion on the general tariff of custom dues, several deputies pretended that the Senate had no right to change the vote of the Deputies, because a question of taxation was involved. "The laws on custom dues were never considered as laws on taxation. From the point of view of the Constitution, this question cannot be raised," said the Deputy reporting on the budget (Chamber of Deputies, December 21, 1891), and the Chamber passed over the matter.

² Several interpreters of the word "voted," having pretended that,

BUDGETARY POWERS OF THE CHAMBERS

Further, it is maintained that the Chamber possesses not only priority but the *first* and the *last word* in financial matters. Strictly speaking, this prerogative of the last word can easily be conceived in dealing with items which the Chamber has cut out of the budget; in each case, the Deputies have the last word, because they have deprived the Senate of the possibility of discussing the items eliminated. With regard, however, to the items retained in the budget, the theory of the last word resting with the Deputies is no longer based on any argument of constitutionality. This theory rests on the following reasoning: in case of a conflict, one of the two parties must yield; which one shall it be, if not the Senate, which is designated by the Constitution as inferior to the Chamber in matters of budget?

Claims of
the Lower
Chamber

Although badly supported, as we have seen, the formula of the *first* and of the *last word* did not fail to gain ground. Its partisans proclaimed it on every possible occasion: "With the Chamber of Deputies, regardless of the name which is given the latter, rests the first and the last word in financial matters." (Speech of Gambetta, December 28, 1876.)

The First
and the
Last Word

"It must be asserted positively and put above every discussion that, when the Chamber of Deputies has spoken its first word with respect to the fiscal law, the Senate can, of course, through its reporting Senator, through its Commissions and through the Cabinet protest to the Chamber and say that the Senate considers such and such tax or the annulment of certain appropriations to be unjust and untimely; this, however, is the only right the Senate has. Once these protests of the Senate are presented to the Chamber, the power of the Senate is exhausted. The Chamber of Deputies decides in the last instance, says yes or no, adopts or rejects—and there is no appeal from and no annulment of this vote." (Plan of revision submitted by the Government, January 14, 1882.)

when the Chamber rejects a provision, this provision having formed the subject of a vote, it enters the sphere of the Constitutional competency of the Senate, the same speaker answered as follows: "You should then say also that, when a law has been rejected by the Senate and by the Chamber of Deputies, it has been passed by the two Chambers."

THE BUDGET

Avoid
Settling
the Issue

A constitutional convention, the only authority with the right to settle this question, has refrained from pronouncing itself on the subject. Convened in Versailles in 1884, and confronted by a special plan of revising article 8 of the Constitution, the convention eliminated, by a formal vote on the *previous question*, all discussion relating to the powers of the Senate in matters of finance. In the same way, each year, the Chambers avoid settling the controversy.¹

A solution has been looked for by many people without recourse to the puzzling text of the Constitution. The Executive, in 1888, said wisely that each assembly should have the last word in a sense which is most favorable to the taxpayers.

“This is the doctrine of the *alternating* last word which is given according to the circumstances of the case, to the one or to the other Chamber. I said to the Senate: ‘You have the last word to prevent the authorizing of a new expenditure.’ In the same way the Chamber has the last word to defeat the making of an appropriation which it initially refused to pass.” (Speech of M. Jules Ferry, President of the Council, Session of the Chamber on March 9, 1885.)

“It is good policy for each Chamber to yield after its second deliberation, before the will of the other Chamber, whenever the question of abolishing or reducing an expenditure comes up.” (Report of M. Dauphin, March 19, 1885.)

Proposed
Compromise

It would be possible to accept a compromise on the following basis: (1) in case of disagreement, the interest of the taxpayer shall prevail; (2) each of the two Chambers shall be able to prevent the other from changing, through budgetary procedure, expenditures established by organic laws.

¹ The President of the cabinet has given the following description of the contest in an official report of 1882: “The Chamber of Deputies rejects an appropriation; the Senate takes it up again and adopts it. The budget comes back to the Chamber. The Chamber cuts this appropriation out for the second time. This is a shuttle, a continuous coming and going which only ends because the 31st of December is coming, a time where the prolongation of the conflict threatens to stop everything, the payments of coupons on bonds, the salaries of the Army and of the civil officials. . . . Then only a compromise is made as well as can be done.” The President added on his own responsibility as follows: “As bad as possible.” (Statement of Supporting Arguments presented by the President of the Cabinet with regard to the plan of revising the Constitution, January 14, 1882.)

BUDGETARY POWERS OF THE CHAMBERS

Political prejudices, however, do not seem to yield to any idea of adjustment. Furthermore, certain philosophically-inclined minds take this view of it:

"Let us settle conflicts from day to day as they arise . . . let us beware of too absolute formulae." (Speech of the President of the Council, March 9, 1885.) "This is the very foundation of the parliamentary régime: this is one of the conditions resulting from the existence of two Chambers and I warn you against discontinuing it. Since our Constitution has sanctioned a division of the Legislative Power, it admits the possibility if not the necessity of conflicts. The Chambers must be permitted to carry on negotiations, and, at times, they may become wearisome, but they are the conditions of a parliamentary régime. Such negotiations tend to bring about an agreement, because the Constitution makes conciliation a political necessity of everyday life." (Speech of Deputy Ribot, May 9, 1885.)

These disputes are, more familiarly speaking, family quarrels, dissensions between husband and wife, each of whom, however, could not possibly do without the other; the link is indissoluble and nobody desires to break it.

We were right, therefore, until the status is more clearly fixed, in not assigning definite classification to France among the nations having an upper chamber.

It must be added, however, that in France the Senate is handicapped because of the late date on which the deputies submit the budget. This fact is more effective than those restrictions discussed above. The assembly at the Luxembourg must, within a few weeks, under the threat of a conflict¹ (under the threat of being held responsible for the *douzièmes provisoires*), examine, discuss and vote the fiscal

Pressure
on the
Senate

¹ "This means a conflict and I came to ask the Senate not to provoke any." This phantom of a conflict succeeds without fail in getting the votes of the Senate in spite of the inadequate time. "Gentlemen, I came to ask the Senate to kindly vote the budget, which will be published tomorrow morning, immediately. . . . I declare to you that I am forced to make an appeal to your patriotism, to your wisdom, in order to make you accept the budget as it is submitted to you by the Chamber. There is an absolute urgency, gentlemen, for you to do it." (Speech of M. Tirard, President of the Cabinet and Minister of Finance. Senate, May 30, 1888, in the evening.)

See also the sessions of July 2, 1889, August 6, 1889, August 6,

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law, which for the last ten months has been under consideration in the *Palais Bourbon*. Strong words of patriotic abnegation, of devotion to the public welfare, of the spirit of unity, are invoked in order to compel the Senate to yield. The Senate protests and often succeeds, even in the short time allotted, in modifying advantageously the financial program.

VOTING THE BUDGET BY THE SENATE

Routine
of Voting

The discussion and the voting of the budgets follow, as we have said, the same procedure in the Senate as they do in the Chamber of Deputies. After the work of the commissions has been completed, a general discussion is opened, which is followed by a discussion by article, in which each article of the bill and each chapter of expenditure shown on the attached schedules forms the subject of a special vote. Then, after the various parts of the bill have been adopted in succession by open vote, the entire amount is voted. It seems superfluous again to go over the details of these formalities. Let us note, however, that when disagreements arise and the budget goes back and forth between the assemblies, the discussion and the vote refer only to the points in dispute. In general, after two or three conferences and under pressure of time, an agreement is reached on a basis of mutual concessions.

Official
Journal

The budget thus becomes a law of the State, which law the Executive Power publishes within the regulation time and in regular manner; the full text is published *in extenso* in the *Journal Officiel*.

Let us now inquire as to how long a period for its execution is allotted the fiscal law, made definite in the manner described above.

1890, etc., and finally the sessions at the end of the year 1895, when, since the submitting of the report of the commission (December 18), only twelve days were left to the Senate for discussing and voting the budget for 1896. The budget for 1908 had to be voted by the Senate within eight days. The first speaker said when the public discussion was opened: "Gentlemen, I have to point out to you the really strange conditions—although not new by any means—under which we are entering this laborious discussion. This is December 23. In seven days from now we shall be compelled either to vote definitely the fiscal law or to vote the *douzièmes provisoires*." (Session of December 23, 1907.) In the evening of December 31, the budget for 1908 was voted and published.

CHAPTER XV

ANNUAL VOTING OF THE BUDGETS

Annual Budgets; Some Exceptions; Bismarck's Budget Proposal. Sections of Budgets Voted for Several Years: Consolidated Fund; Magnitude of the Consolidated Fund; No Consolidated Fund in France; A Real Need; Septennial Military Budget; Sexennial Naval Budget; English Naval Program.

Douzièmes Provisoires: A Make-shift Arrangement; They Reflect Misfortunes; The Events of the Seventies; Perpetuations of the *Douzièmes*; the *Douzièmes* Condemned.

Votes on Account in Belgium: Belgium's Experience; Certain Defects.

The English System in Detail: How the Committees Work; Votes on Accounts; Appropriation Bill; Recapitulation; Annuality of the Budget.

In France, and in nearly all countries, budgets are voted for one year. In the first place, this period corresponds with the customary measure of human estimates, as has been pointed out in Chapter V in the discussion of accounts by fiscal period. Furthermore, a year seems to be the maximum of time over which legislatures can afford to give the power [control over the purse] out of their hands, and the minimum of time, which executives need to put the budget [Act of Appropriation] into execution. Thus, in England, Austria, Germany, Prussia, Portugal, Greece, the United States, France, etc., the budget is an annual one.¹

Annual
Budgets

It may be remembered, however, that at the time of formulating the definition of the word "budget" ² we eliminated the expression "annual" (which was unduly inserted in the decree of May 31, 1862), because, in certain countries, budgets are voted for several years. In Hesse, for instance, the budget is triennial, as also in Saxe-Weimar, in Saxe-Meiningen, in Saxe-Altenbourg. In Bavaria, at one time, it was

Some
Exceptions

¹ [It may also be added that the most significant fact in determining the annual authorizations of expenditures is that direct taxes are levied on this basis.—The Editor.]

² See Chapter I.

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quinquennial; now it is biennial.¹ However, these are exceptional cases.

Bismarck's Budget Proposal

The German Empire maintained its annual budget, in spite of repeated attempts on the part of Prince Bismarck to make it biennial.² The Chancellor set forth as a pretext the necessity of simplifying the machinery of the legislature, of avoiding the inconveniences resulting from the coincidence of the sessions of the local diets and of the central *Reichstag*, and finally of giving a respite to the ministers and the members of the Federal Council, who, under existing conditions, were swamped with work. (Speeches of May 5 and 6, 1881.) Besides, he added, such a fusion of two budgets into one would have the advantage of allowing counterbalancing errors to spread over a larger space of time, thus making for greater accuracy in estimating. The Imperial Government, however, concealed under these pretexts the desire to obtain *carte blanche* for a prolonged space of time, during which it would be free from legislative control. This was precisely the reason which prompted the members of the *Reichstag* to be obstinate in their refusal.³

¹ "If the biennial budget is in force in Bavaria, considerable struggle was necessary to reduce to this term the budgetary period, which used to last five years." (Speech of M. Lasker in the *Reichstag*, March 8, 1891.)

² On February 12, 1880, Prince Bismarck suggested to the *Reichstag* of the Empire, a plan for the revision of the Constitution, which would read as follows: "The budget is determined by law for a period of two years, but separately for each year." The plan was turned over to a commission on March 12, 1881; it was rejected in May, 1881.

In 1882 the attempt was renewed in a different form: the Parliament was simultaneously confronted by two budget bills, one for the fiscal period 1883-1884, the other for the fiscal period 1884-1885. The deputies did not consent to these disguised suggestions. On December 11, 1882, the deputies limited themselves to turning over to the commission, only one of these two budgets, the budget for the fiscal period 1883-1884, thus implicitly refusing to busy themselves with the budget for the fiscal period 1884-1885. Prince Bismarck, however, without being discouraged, submitted forthwith the budget for the fiscal period 1884-1885, on February 9, 1883. Then the *Reichstag* rejected this budget in a solemn way, chapter by chapter, and the question of biennial budgets has not been raised since.

³ In the course of the discussion, the idea of the annuality of budgets was expressed as follows: "As long as the powers of human intelligence shall, with less facility, extend their estimates over a long space of time, than over a short one, it is obvious that the period of one year for the purpose of voting the budgets shall remain

ANNUAL VOTING OF THE BUDGETS

SECTIONS OF BUDGETS VOTED FOR SEVERAL YEARS

Apart from these examples of biennial or triennial budgets, which were taken from smaller states, and the abortive attempts made in large states [to have a longer period than one year adopted], several countries vote certain sections of the budget for several years.

First, in England, there is the "Consolidated Fund." This is made up of a considerable portion of revenues and of expenditures established [as a special fund] for a long time. The origin of this fund dates, as we have seen, to the accession of William III, after the Revolution of 1688.

Consolidated Fund

In order to settle the boundaries of the respective rights of the Crown and of Parliament, the Civil List was established and granted for the entire duration of the reign. To this permanent expenditure were added several others of the same nature, and the entire group formed a separate fund, which was declared exempt from annual verification.

There are certain revenues which have become relatively permanent. The consolidated funds, revenues and expenditures are not included in the *annual Estimates*. Their authorization by Parliament continues so long as new laws do not change it.¹

The expenditures, thus withdrawn from the annual vote by the House of Commons and which form the Consolidated Fund are as follows: the Civil List, the interest on the funded and floating debt, various civil and military pensions, salary of the Speaker of the House, the salaries of certain superior courts of justice, of the diplomatic service, etc.

On the other hand, all taxes, the necessity and assessment of which, are not contested, form a part of the Consolidated Fund. The *income tax* and the dues on tea only are refused this classification, because they are considered precarious and, therefore, should be sanctioned by annual vote. The other taxes exist in England so long as a special law does not change or suspend their collection.²

preferable to a period of longer duration." (Speech of Doctor Hänel, March 8, 1881.)

¹ These expenditures and these revenues do not pretend at all to balance each other, as will be shown later.

² In France, as we have already explained (by quoting the final article of all the fiscal laws) all the taxes, in spite of the law imposing them, could not be collected unless by force of the annual

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Magnitude
of the
Consoli-
dated Fund

These consolidated revenues and expenditures are by no means juxtaposed for the purpose of forming a special budget. The word *consolidated* expresses solely a character attributed to certain expenditures or to certain revenues. The consolidated expenditures totaled 925,000,000 francs, according to last accounts;¹ the consolidated revenues amounted to more than 1,000,000,000. One-fifth of the expenditures and more than one-fourth of the revenues are thus exempted in England from the annual vote.

So far as expenditures are concerned, why repeat in the budgetary estimates, why discuss and submit to vote the inevitable and almost invariable appropriations? Must not the public debt, for example, be paid under all circumstances and before all other expenditures? Has not the endowment of the Civil List been fixed [by the Constitution] by virtue of one of these fundamental covenants, "The Declaration of Rights,"² the execution of which is no longer subject to annual revision?

No Consoli-
dated Fund
in France

The question thus formulated has been discussed in France since 1789, when Mirabeau suggested the allotment of a special endowment to the debt.³ In 1827, the question was taken

budget. "In France," said Léon Say, "the taxes are permanent, but the authorization to collect them is annual."

¹ The public expenditures in England are divided into expenditures of the Consolidated Fund and into Supply Services, composed as follows for the fiscal year 1912-1913:

Supply Services. Army, Navy, Civil	
Services, costs of collection, etc.	3,746,600,000 francs
Expenditures of the Consolidated Fund	925,500,000 francs

Total	4,672,000,000 francs
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The expenditures of the Consolidated Fund are itemized in the *Finance*

Accounts as follows:

Civil List	11,750,000 francs
Dotations, perquisites, payments to- wards local taxes, etc.	369,250,000 francs
Public Debt	544,000,000 francs

Round total of the Consolidated Fund	925,000,000 francs
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² See the *Etudes de droit constitutionnel*, by E. Boutmy, second edition 1881.

³ The suggestion of Mirabeau, to allot certain taxes to the payment of the public debt diverged however, from the idea of the Consolidated Fund in spite of the agreement as to certain arguments: "By limiting to one year," said Mirabeau, "the duration of taxes, by which the public debt is insured, would mean to give

ANNUAL VOTING OF THE BUDGETS

up under the Restoration, in a more precise way, by an amendment to the fiscal law which took the form of an additional article stipulating that henceforth the budget should be divided into two parts, one of which, under the title "Budget of the Consolidated Fund" should include the public debt, pensions, etc.—in other words, all the fixed and permanent expenditures—while the other, under the title "Extraordinary Budget" should include accidental and temporary expenditures. According to the author of the amendment, M. Lafitte, "the Chambers would thus each year be saved the work of revising expenditures, the propriety of which had already been satisfactorily shown. They would gain considerable time, which could be more usefully devoted to the examining of new expenditures." As this suggestion was not adopted, the French budget continues to repeat each year entire columns of figures which the ministers and the deputies reporting on the budget discuss over and over again, only for the purpose of bringing about their inevitable voting with the budget.¹

But let us not exaggerate the importance of the reform. Its only advantage would lie in saving work for the deputies: the President of the Chamber would have fewer texts to read; the representatives would have fewer votes to register. But, as the operations involved are inevitable from their very nature, their adoption, generally speaking, would cause no serious discussion—their elimination from the budget would effect no change of capital importance.

Portions of many budgets are voted for several years by nearly all countries, particularly is this true with respect to the nations which draw up long time programs dealing with important public works, military armaments, naval construction, etc.

An important illustration of this is found in the "Septen-

to the Legislative Body the power to put the Nation into bankruptcy every year." One of the members, Fréteau, replied very justly as follows: "It is demanded that the tax for the payment of the public debt be an immovable *assignat* (assignment). You have partly abolished the duty on salt. You will soon attack the *aides* [old tax now replaced by the indirect taxes], and still these two taxes have been offered as the security for several loans." (Session of October 7, 1789.) This question as we see had only a distant relation to the subject of the Consolidated Fund. The question at issue was to secure the arrears of the public debt.

¹ Read on this subject the interesting letters of Duke de Broglie, *Budget annuel et Budget personnel*, January, 1888.

A Real
Need

THE BUDGET

Septennial Military Budget

nial Military Budget" in Germany, which supplanted the annual budget for the department of war of the Empire. After the victorious battle of Sadowa in 1866, the new Constitution of the North German Confederation stipulated that henceforth the contingent and the military appropriations should be determined once for all without the annual vote of the *Reichstag*. The Federal Government, or better the ministry of war of Prussia, was charged with maintaining the German army—each Federal State being forced to contribute, according to the following assessments: recruits at the rate of one per cent. of the population, and contributions in money of 225 thaler, or 843.75 francs per man. This system, known as *Pauschquantum*, made permanent the budget of the War Department. After 1871, the Empire temporarily maintained the *Pauschquantum*; but as the terms of the contract were no longer satisfactory, the Empire looked for a way to give more elasticity to the appropriations, without renouncing its supremacy in the matter of the budget of the war department. In order to achieve this purpose, the figures of the effective force of the Army, in accordance with the law of May 2, 1874, were determined for seven consecutive years, and the expenditures were to be annually sanctioned by the *Reichstag*. But, as article 63 of the Constitution of 1871¹ attributes to the Emperor personally the supreme command of the Army, the German *Reichstag*, after the effective force of the Army has once been determined, cannot avoid the obligation of registering the suggestions of the Government relating to the maintenance of the Army. Prince Bismarck said: "Shall our Army be the Army of the Emperor or of the *Reichstag*? This is the question. Shall the effective force of the Army on peace footing be discussed each year? No, it should not be."² (Speech of January 11, 1887.)

¹ Article 63, of the Constitution of 1871, is couched in the following terms: "The Emperor has the chief command of the Army in peace as well as in war and it is his duty to maintain the Army complete, ready for action and to insure to the best of his ability the army's moral and material existence, its instruction, its mobilization, and its means of operation in case of war."

² Besides, any parliamentary objection to military expenditures would find little backing in public opinion. The German people seem to be convinced that the prosperity that it has enjoyed until now, has been obtained and is guaranteed by its military force. The German people, therefore, seem little inclined to bargain about sacrifices to be made for the Army.

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Since the law of May 2, 1874, the septennial military budget has been renewed for one period after another—in 1880, 1887,¹ 1893, 1899, etc. Besides, a *sexennial naval budget* was established by the law of April 10, 1898, which stipulated that “from 1898 until 1903 the *Reichstag* shall be obliged to vote for the total current naval expenditures not more than 408,900,000 marks.” In 1900, however, a new naval program was grafted on the one which had not yet been completed. This was far more imposing and was intended to cover a period of another six years. This latter program, however, continued to grow as shown by the plans of April, 1912.

Sexennial
Naval
Budget

These septennial, sexennial, quinquennial and other periods are, in fact, as we have said, programs of expenditures to be made over several years. England draws up such programs, involving hundreds of millions, when it lays the keels of battleships, the size and number of which shall exceed the units of the two largest naval powers combined. The provisions relating to such constructions necessarily involve the establishing of partial budgets extending over several years. France follows the same procedure with regard to its navy, as has been shown in section IV of the budget law;² with regard to its large public works, particularly those which were included in the plan of Freycinet in 1878, and the renewing of its armaments, its coast defenses, its naval bases, etc. Recapitulating, we may say in a general way, that certain large expenditures—on account of their nature and the delays necessary in their execution—cannot possibly be included in the annual budget. They are voted in all countries, under a more or less distinct form, for several years.

English
Naval
Program

DOUZIÈMES PROVISOIRES

In other cases, the voting of the budget applies to a period of less than a year—such are the *douzièmes provisoires*. In these, an attempt is made to reduce instead of extend the

¹ The septennial agreement, in the course of its operation in 1887, was to expire only on March 31, 1888. The *Reichstag* wanted to substitute, first, a period of five years and even of three years for the period of seven years which was actually granted. This *Reichstag* was dissolved. The new assembly elected in the first months of 1887 showed a majority for the Government and the septennial period was voted in April, 1887, to last until 1894.

² See Chapter IX.

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A Make-
shift Ar-
rangement

They Re-
flect Mis-
fortunes

annual period, thus incurring a danger opposite to the one mentioned above. The *douzièmes provisoires* may be defined as: "an authorization to collect taxes and pay public expenditures over a certain number of months, in accordance with a temporary allotment." The term "temporary" becomes characteristic in this connection: it shows that these measures are taken only to bridge over the time while the annual budget is being passed. When the fiscal year is about to open, and the Chambers lack time to reach a vote on the whole fiscal law prior to December 31, a partial budget hastily prepared, covering a few months and calculated *grosso modo*, is voted. The *douzièmes provisoires* are, therefore, designed to legalize an abnormal situation.

[In France] from the beginning of the century, the history of the *douzièmes provisoires*, sadly instructive, has reflected the succession of our misfortunes—wars and internal dissensions. The actual beginning of the *douzièmes provisoires*, excepting their appearance in 1810,¹ dates from 1815, after the downfall of the Empire: the *douzièmes provisoires* continued for six years.² In 1822,³ M. de Villele inaugurated his administration by obtaining from the Chambers the simultaneous vote of the fiscal laws⁴ for 1822 and 1823, only three

¹ The decree of December 9, 1809, was couched in the following terms: "Temporarily and while waiting for the publication of the fiscal law the rolls of direct taxes for 1810 shall be collected during the first three *douzièmes provisoires*, beginning with the ordinary date of the next January 1." These *douzièmes provisoires*, authorized by a decree and not by a law, referred only to direct taxes, without relating at all to indirect taxes, or to the expenditures. Nothing was, therefore, more irregular than the collection of taxes, and the payment of expenditures, beginning with January 1, 1810. This situation fortunately lasted only until January 15. On this day, a law regulated the collection of direct taxes and determined that "the indirect taxes collected in 1809 shall be prolonged during 1810." (Article 17.) The amount of 700,000,000 was subsequently "allotted temporarily for the expenditure of 1810." (Article 18.) Finally, the budget law for 1810 was voted April 20, 1810.

² The fiscal periods 1816, 1817, 1818, 1819, 1820, 1821 and 1822 operated in their respective beginnings under the *douzièmes provisoires*. This would mean seven years, if we count the year 1822, which inaugurated the system.

³ The plan of changing the opening date of the fiscal year, submitted in 1819, of which we have spoken in Chapter VI, had already attempted to put an end to the *douzièmes provisoires*.

⁴ The fiscal law for the fiscal period 1822 was voted on May 1, 1822, and the fiscal law for the fiscal period 1823, on August 17, 1822.

ANNUAL VOTING OF THE BUDGETS

months elapsing between them. The reëstablished program of regularity lasted until the end of the Restoration. The troubles resulting from the Revolution of 1830 extended the *douzièmes provisoires* for the fiscal periods 1831,¹ 1832 and 1833. In 1833, however, the Chambers, after having held a double session, were able to vote in proper time the budget for 1834. The Monarchy of July, from first to last, submitted regularly each year its budget, including that for 1848, which was voted at the end of 1847. The Revolution of 1848 could not fail to figure in the list: the budget for 1849 was, in fact, voted only on May 16, 1849, four and a half months after the beginning of the fiscal period. Under the Empire, the *douzièmes provisoires* were unknown.²

After the events of 1870-1871, the *douzièmes provisoires* reappeared. The necessity for them, however, really existed only in 1872. From 1873 on, the law of November 20, 1872, authorized the revenues and the expenditures in proper time. We find, therefore, the *douzièmes provisoires* only in 1878, after the political incidents of May 16. In the last days of 1877, the Chamber refused to grant the budget to a Cabinet which did not enjoy its confidence.³ When the new Cabinet, selected from the ranks of the majority, in the Chamber, had come into power, it was too late to bother with the fiscal law, so the act of December 27, 1877, limited itself to authorizing for a few months only the revenues and the expenditures of 1878.

The Events
of the
Seventies

The irregularities briefly discussed above resulted from exceptional and unfortunate circumstances. The *douzièmes provisoires*, however, have been made use of in our parliamentary procedure without the justification of an emergency,

¹ In 1831, the number of *douzièmes provisoires*—increased to ten by three consecutive laws (laws of December 12, 1830, April 18 and August 18, 1831)—permitted the postponement of the vote of the definite law for the fiscal period 1831 until October 16, 1831. This is the greatest delay that ever occurred. Generally speaking, the *douzièmes provisoires* apply only to two, three or four months.

² "The Second Empire is the only Government which did not resort to these expedients. The reason for this is, that the legislative body had somehow refrained from examining the budget in detail (disturbance on the Right), and that it voted the budget very quickly." (Affirmative exclamations on the Left.) (Report on the *douzièmes provisoires* for 1888, read from the platform of the Senate by M. Ernest Boulanger, December 16, 1887.)

³ The matter of refusing to vote the budget will be developed in Chapter XVIII.

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Perpetua-
tion of the
Douzièmes

either interior or exterior.¹ In 1884, although the Minister of Finance had, on February 28, submitted his budget plan for 1885 and no serious incident had prevented its examination, the Chambers came only at the very end of the year to vote the budget of revenues.² The following year, the deputies—being in a hurry to depart for their respective electoral districts—voted the budget just before the general elections took place. (Law of August 8, 1885.) In 1886, the newly elected deputies fell back into the delays inaugurated by their predecessors. At the end of 1886, the budget for 1887 had not been voted; again at the close of 1887, the budget for 1888 had failed of enactment. The operations for both fiscal periods were continued under the *douzièmes provisoires*. More recently, the budget for 1892 was voted only on January 27, 1892, with a *douzième provisoire*; the budget for 1893 was effective only on April 29, 1893, with four *douzièmes provisoires*; the budget for 1895 was voted on April 16, 1895, also with four *douzièmes provisoires*. The budget for 1897 was enacted after three *douzièmes provisoires*. There were three *douzièmes provisoires* for the budget for 1898, five for that of 1899, which was not voted till May 30, 1899. There were also four *douzièmes provisoires* for the budget for 1905, four for 1906, one for 1907. It was possible to avoid them entirely in the budget for 1908. There were seven *douzièmes provisoires* for 1911; only two for 1912.

The *douzièmes provisoires* are wholly the result of parliamentary disorder.

The
Douzièmes
Condemned

Even in the crises, which might have warranted forbearance, the very name of the *douzièmes provisoires* caused unanimous protest: "humiliation," "shame," "disastrous ex-

¹ "What the *douzièmes provisoires* prove is, that the expediting of affairs is not accomplished in a normal way; it means that the public powers when resorting to this expedient without being compelled to do so by extraordinary and imperative necessities, have not done all they could and should have done." (Senate, December 26, 1884, Speech of M. Buffet.)

² The voting of revenues has since preceded the voting of expenditures, in direct violation of the principles presented in Chapter VIII. Noteworthy speeches have shed new light on the defects of the system of the *douzièmes provisoires*. (Speeches of MM. Buffet and León Say, Members of the Senate, December 26, 1884.)

In Belgium, the system of the *douzièmes provisoires* brings about the same irregularity each year: the revenues are voted in total before December 31, while the voting of the expenditures occurs only successively in the course of the following year.

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pedient" were the epithets applied to it. The ministers, as well as the deputies reporting on the budgets, from the time of the beginning of the Restoration, complained about being compelled to resort to that expedient.¹ Nowadays, when the Government feels the necessity of urging the vote of one or the other Chamber,² it merely suggests—in a sense a mild

¹ In 1817, Corvetto, Minister of Finance, expressed himself as follows: "The abuse of the *douzièmes provisoires* has been pointed out to you; there was some talk about their irregularity. This abuse, gentlemen, this irregularity was pointed out to you first by us. If there is anybody on whom this temporary arrangement bears heavily, to whom this temporary arrangement is insupportable, it is, believe me, gentlemen, the Minister of Finance." M. Corvetto recalled then "the forceful circumstances which repeated themselves always with an equally imperative character." (Session of December 22, 1817, Chamber of Deputies.)

"The expedient of the *douzièmes provisoires*, once adopted in 1816, seemed to be entirely simple and so natural that it was repeated in succession in 1817, 1818 and 1819. . . . The obligation, however, which this expedient imposes on the Chambers, to approve half of the taxes without examination, without any notion as to their necessity and as to their destination, the obstacles which it puts in the way of every reform, of every improvement of the financial system, caused such sharp and such general protest, that it was no longer possible to continue it." (Report on the bill relating to the fiscal year by Deputy Ganilh, February 8, 1819.)

Baron Louis himself, in 1831, spoke as follows: "These delays in voting the budgets are the most grave inconveniences. They stop every possible improvement of the taxation system; to some extent they make the Constitutional control of the Chambers over the public expenditures an illusory one and are at the same time an obstacle to the free and regular course of the administration of the State." (Chamber of Deputies, August 18, 1831.) Submitting the General Budget for 1831, Baron Louis said: "We dare not call this law by the name of budget. The proper function of the budget is to determine the future and you have already authorized the expenditures for the first ten months." (August 29, 1831.)

² "The minister of Finance has set forth two arguments in order to obtain an urgent vote of the Chamber. He has given us his reasons and has shown us a phantom" (laughter). The Minister of Finance: "What kind of phantom?" "The phantom of the *douzièmes provisoires*! But as far as I am concerned, I am not afraid of these phantoms, M. Minister" (another outburst of laughter). "It would be necessary however to finish this fairy-tale which has been invented by the Ministers and their bureaux. . . . What a shame it is for the Chamber—the people were impudent enough to utter this word repeatedly—yes, it has been said: you are driving us to the shame of the *douzièmes provisoires*. . . . It is time that these tales come to an end: it is time to stop repeating these nursery stories with which the Chambers of the Mamelukes of the Empire were lulled

THE BUDGET

form of threat—the possibility of invoking the *douzièmes provisoires*.¹

It is doubtful whether in themselves the *douzièmes provisoires* really deserve such absolute condemnation. Are they not condemned, in the first place, because they are introduced irregularly and hastily, without due consideration? Let them become a regular institution and perhaps we shall be able to appreciate them. This is what their advocates claim, basing their contentions on the example of foreign countries; an enthusiastic supporter has gone so far as to say: "Only in savage countries, like Turkey, are *douzièmes provisoires* unknown." (Chamber of Deputies, Session of December 15, 1887.)

VOTES ON ACCOUNT IN BELGIUM

It must be admitted that certain countries live very happily under the régime of the *douzièmes provisoires*.

Belgium's
Experience

Chapter IV has already indicated how, by this means, Belgium succeeds in bringing the date of the preparation of the budget closer to the date of its execution. As the result of long experience, the budgetary procedure of Belgium has transformed the *douzièmes provisoires* into a normal institution. Our neighbors vote only the budget of ways and means before December 31, and also occasionally the budget of *non-valeurs* and of reimbursements. Then, in the course of the fiscal period, the Minister of Finance suggests, as a customary thing without objection or astonishment, the series of *douzièmes provisoires* in order to finish the discussion and the vote on the budgets of the various ministries. This discussion is prolonged during the first months of the year and closes in August or September.

Certain
Defects

This system, although made regular, is still not perfect, because the revenues are voted as early as December and the expenditures which these revenues are designed to meet are sanctioned very much later. In order to maintain the equi-

and finally, taken with enthusiasm, they applauded the Government's action." (New outburst of laughter.) "Well, I repeat, it is time that the jokes cease and I hope that they are not going to be told us again!" (Chamber of Deputies, Session of December 15, 1891.)

¹ A deputy who was driving straight for the purpose he wanted to achieve, suggested the suspension of the salary of the members of the legislature for as many months as the number of *douzièmes provisoires* they had voted. (Bill No. 416, November 27, 1906.)

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librium, it is necessary that the Chambers be compelled not to change the appropriations of the budget plan as presented by the ministries, the total of which balances the resources. Possibly the Belgian legislature appreciates this course of wisdom and economy, which constitutes an unforeseen advantage of the system. But no matter what the Belgian Government would do, these piece-meal budgets are not a real budget.

THE ENGLISH SYSTEM IN DETAIL

Let us examine the mechanism of the English system in detail. The House of Commons gets the budget plan through the speech of the Chancellor of the Exchequer, which is sometimes delivered at the opening of the fiscal year, but more often [shortly] after that date. The necessity of the *douzièmes provisoires* results from this simple statement, because partial votes must obviously insure the continuation of the operations beginning with April 1. Some time before the speech of the Chancellor of the Exchequer is delivered, during the preceding November or December, the "Estimates"¹ are prepared by the different branches of the service and submitted to the House of Commons at the opening of their annual session, usually in February.

The committees of the whole House, of which we have spoken,² devote themselves to the study of these estimates. These committees [of the whole House sit at one time as], a committee on supply, [and later as] a committee on ways and means. The committee [of the whole] on supply examines the [detailed estimates of] expenditures, and after

How the
Committees
Work

¹ The "Estimates," or estimated budgets of the various services form three volumes, three distinct series: the Estimates of the Army, the Estimates of the Navy and the Estimates of Civil Services and costs of collection. The last one is made out, as we have seen, under the direct authority of the Treasury. The first two are subject to the control of the Treasury with certain reservations.

The volumes of the Estimates are absolutely different from the volume of the budget plan in France; they are detached publications, without any link between them, prepared by the chiefs of the special services which do not act jointly. No volume at all is devoted to the revenues. The speech of the Chancellor of the Exchequer alone attempts to bring closer together these scattered elements. Furthermore, the existence of the Consolidated Fund must not be lost from sight; this fund withdraws about one-quarter of the revenues and one-fifth of the expenditures from the annual vote by Parliament.

² See Chapter XII.

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having approved a sufficient portion of them [this committee of the whole rises and] submits [its report] to the Commons. [Then, after the budget is submitted by the Chancellor, the whole House resolves itself into a] committee on ways and means, intervenes for the purpose of appropriating the funds necessary for the payment of the voted appropriations [the amount approved by the whole House sitting as a committee of supply]. The approval of the expenditures [in committee of the whole House on supply] does not provide the means for meeting it [the amount of the estimates voted]. The committee on ways and means takes a new vote on this second point [reporting in favor of appropriating the amount]. Thus, two distinct operations are performed by the committees [the whole House first reviewing the estimates for expenditures, then considering their totals in the light of the proposed ways and means of meeting them]. The first operation consists of studying every item of [estimated] expenditure [submitted by the Executive]; the second, voting the funds for meeting them [according to the financial plan laid before the House by the Chancellor]. As a high official of the English Treasury has explained to one of his French colleagues: "I give my chief an order [my approval] to buy this or another article on the market; this is the 'supply.' I put a shilling in his hand [and authorize him to spend it]—this is the 'ways and means.'"¹

Votes on Accounts

Before March 31, that is before [on the eve of] the opening of the fiscal year, two *votes on accounts* will already have made the necessary appropriations for the departments of the Army and of the Navy for their respective expenditures, to begin April 1. A still larger number of partial votes will have been taken for the civil services, because of the multiplicity of their chapters.

After April 1, the Chancellor of the Exchequer, having recapitulated the total of revenues and expenditures in his financial statement [the budget], the examination of the remaining portions of the budget [the estimates for expenditure] goes on in a more active way until August or September. Thus, the "votes on accounts"² spread, as we have seen, over a

¹ Quotation taken from the report inserted in the *Bulletin statistique des finances*, June, 1888.

² During the session of the House of Commons of May 17, 1888, the procedure of the "votes on account" was very sharply criticized by Messrs. H. Fowler and O'Connor. The Lord of the Treasury, Mr.

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space of about six months—that is to say, when conditions are normal.

These are nothing but *douzièmes provisoires*,¹ which are voted until the fiscal law is passed.

Finally, the fiscal law is passed *in toto* under the name of the “act of appropriation.” This “act of appropriation”² recapitulates the partial votes taken since the beginning of the work of the committees and gives them the unity and the definite character, which up to that time were lacking and gives to each appropriation item the form of a budgetary chapter, or of a “vote” which relates specially to the appropriation in question. In a word it [this succession of votes] builds up the general budget [the items which later are passed in the act of appropriation]. The publication of the general budget is attended with much solemnity. The sovereign accepts “very joyfully” either in person or by proxy the benevo-

Appropriation
Bill

Smith, himself acknowledged that a reform was becoming necessary, and a committee was put in charge of studying its bases. The question at issue, however, was only the procedure of the votes on account and not their principle. As long as the fiscal year begins on April 1 and as long as the Chancellor of the Exchequer continues to make his statement on about the same date, the necessity for the *douzièmes provisoires* will exist and no one can possibly contest their necessity.

¹ M. Paul Leroy-Beaulieu, in the *Économiste français* considers, with his customary superiority of mind, the motives which justify the system of the *douzièmes provisoires* in England: “The thing which permits the English to be free from suffering from the voting of the budget in the course of the fiscal period itself, is the Ministerial authority, which in England is integral, and the tradition of the Chamber does not make the latter take any direct initiative in budgetary questions. As there is no question every year in the House of Commons to upset everything, the taxes and the public services, and as the Minister of Finance is pretty nearly sure, unless his suggestions be absolutely contrary to national sentiment, not to be exposed to attack from a teasing opposition of a number of improvised reformers, there are in England many less inconveniences than in France with regard to the budget not being voted before the beginning of the fiscal period. In France, on the contrary, where everything depends upon the always unforeseen votes of undisciplined groups, the establishing of the budget in the course of the fiscal period exposes the entire administration to the danger of a most regrettable confusion.” (*Economiste français*, January 14, 1888.)

² The word “appropriation” signifies the allotment of funds to every vote or budgetary subdivision. Until the bill of appropriation is passed, the “votes on account” are composed only of partial appropriations authorized *en bloc*. The appropriation bill classifies these appropriations in their respective subdivisions by recapitulating them.

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lence which his loyal subjects have voted. All this is expressed in sacrosanct phrases taken from the French.

This regular institution of the *douzièmes provisoires*, applied in countries as well administered as England and Belgium,¹ merits attention.² The day when the *douzièmes provisoires*, improved and regulated, shall occupy a legitimate place in our accounting systems [plan of accountability to the representatives of the people], they will cease to deserve the just and universal reproach of which they [in France] are nowadays the subject. This, as may be remembered, was the conclusion of Chapter IV.

Recapitulation

Recapitulating the above: a budget voted *in toto* for several years is rare, and very few countries furnish examples of it; it is also exceptional where certain portions of budgets are voted for more than one year; and in cases where *douzièmes provisoires* covering less than a year are voted, a recapitulation of revenues and expenditures reestablishes the annual budget in its totality. We can, therefore, continue to affirm in a general way, in spite of the exceptions pointed out in this chapter, that the budget, by its very nature, must be annual.

Annuality of the Budget

In France, no law prescribes this annuality of the budget. In the absence of a law, a decree of regulation of May 31, 1862, stipulated: "The public revenues and expenditures to be authorized for each fiscal period shall be enacted by annual fiscal law." (Article 30.) Moreover, the fiscal laws since 1877 have not failed to mention and to repeat in the final articles that the authorizations of the revenues and of the expenditures are granted exclusively only for the year named in

¹ "The nations with which the examination of the budget forms the subject of a profound discussion, have regulated the usage of temporary appropriations and have established a normal practice of such temporary appropriations. . . . It is considered that these temporary appropriations are worth much more than the urgent and hasty voting of budgets on the very eve of the opening of the fiscal period. We see that with nations which are justly reputed to have regulated financial conditions, the *douzièmes provisoires* do not have the character which is attributed to them in France." (Report of the Commission on Budget, relating to the *douzièmes provisoires* for 1888 by Deputy Yves Guyot, December 15, 1887.)

² In Italy the *douzièmes provisoires* acquire the same character as in France. They have often been put in practice, particularly in 1886-1887, in which year the temporary arrangement lasted for almost eight months, the budget for 1886-1887 having been voted only on February 19, 1887, although the fiscal period began on July 1.

ANNUAL VOTING OF THE BUDGETS

the budget [the fiscal law]. Thus, the annuality of the budget is expressly confirmed;¹ we repeat, however, that this annuality is not prescribed by any special law or by our Constitution. An authority on this subject² has recently written:

“The principle of the annual voting of the budget is not entered in the Constitutional Laws of 1875; is this a reason why it should not be taken into account? You do not think so, and neither do I. The principle of universal suffrage also is not mentioned in these laws and still it forms the basis of the public powers. The annual voting of the budget is sanctioned by our accounting laws [our laws of accountability]. Since the Revolution of 1789, it has formed an essential part of our Parliamentary establishment.”

¹ See, however, in Chapter XXVI the innovation of the law of February 27, 1912, which authorizes in certain cases the carrying forward of appropriations voted for one fiscal period to subsequent fiscal periods.

² Letter of M. H. Wallon of May 15, 1889.

CHAPTER XVI

ADDITIONAL APPROPRIATIONS. MEASURES TAKEN AGAINST THEM. CORRECTIVE BUDGETS. TRANSFERS

Perils: Additional Appropriations: Emergencies Require Extraordinary Appropriations; Short-sightedness a Cause; Lurking Dangers; Discouraging Results.

Measures to Curb Additional Appropriations: An Ineffective Formula; The Law Amended in 1851; Its Failure; Still Another Palliative; Other Measures.

Corrective Budgets: Corrective Budget Defined; Advantages of the Corrective Budget; Experience in Italy; Budgets Contrasted; Objections to the Corrective Budget; Effects.

Transfers of Appropriations: The Scheme of Transfers; Two Kinds of Transfers; Dangers of the Transfer Scheme; A Final Case.

PERILS

Unforeseen events occur too frequently in human affairs to make it possible to insure against departure from the original calculations upon which finance measures are based. Regardless of the date of the preparation of the budget, and no matter how closely it precedes the actual facts [the execution], there will always be departures from the most carefully prepared estimates of revenues and expenditures. Without speaking in this connection either of the revenues or of possible reductions in expenditures, we shall consider at this time only the increases in expenditures made subsequent to the voting—that is, we shall devote this chapter to *additional appropriations*.

ADDITIONAL APPROPRIATIONS

Let us begin with a definition of what is meant by additional appropriations: "Additional appropriations are budgetary allowances granted ¹ after the annual fiscal law has been

¹ Strictly speaking, it should be said *granted by the legislature*. But as in certain exceptional cases the Government itself *makes* the additional appropriations, it seems preferable to leave the word *granted* without further specification.

ADDITIONAL APPROPRIATIONS

passed." The views expressed in the two chapters which follow will serve to justify this definition.

"It is a chimera to pretend to abolish absolutely additional appropriations," said the deputy reporting on the budget for 1871. "There will always be public expenditures which will exceed budget estimates, no matter how high, and leave a deficit. There will always be, either in the interior or abroad, some unforeseen circumstances which cannot be anticipated and which will require the use of sums exceeding the resources of the budget." (Report on supplementary appropriations for the fiscal period 1871, by M. Casimir Périer, August 31, 1871.)

Emergen-
cies Re-
quire Ex-
traordinary
Appropriations

Fortunately, unforeseen events do not always assume such terrible form as those of the year 1871, the date of the above document. In normal times the really unforeseen events for which supplementary funds must be immediately provided are, after all, rather infrequent. We may cite, *exempli gratia*, the burning of the *Opéra-Comique*, the rebuilding of which was the cause of an immediate appropriation of 500,000 francs. (Law of July 27, 1887.) Previously, the law of June 29 had allotted 200,000 francs to the victims of that disaster; then came the incident of the hurried mobilization, which required an additional allowance of 7,100,000 francs (Law of July 29, 1889); the costs of the receptions to the Moroccan embassy, to the Sultan of Tadjourah in 1883, to the Russian squadron in 1893, to the King of Spain in 1905; the funerals of Field Marshal MacMahon in 1893 and of President Carnot in 1895; damages paid to victims of the bursting of the dam of Bouzey in 1895, amounting to 5,200,000 francs; the expenses of representation of the French embassy at the coronation of Tsar Nicholas II in Moscow in 1896; the costs of the Fashoda expedition, reaching 59,229,000 francs; the establishment of new diplomatic posts on account of the separation of Sweden and Norway in 1905, etc. This list, however, if only really exceptional and urgent cases are included in it, will never become very long. Even if the list were made complete, its total would still be relatively unimportant.¹

Let us approach the matter frankly from a general point

¹ As unforeseen events are certain, the question arises why a special appropriation does not provide for them in every original budget?

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Short-
sighted-
ness a
Cause

of view. Unfortunately, closely related to unforeseen events is shortsightedness, a shortsightedness either intentional or resulting from unpardonable delays and omissions—thus creating improper additional appropriations which, we repeat, are too habitual and too important—on the one hand upsetting the budget equilibrium and on the other favoring increases in expenditures [beyond what would have been approved, if they had been included in the estimates].

It is easy to grasp the significance of the first objection. The equilibrium (which those who prepared the budget have labored, much to their credit, sincerely to establish) is destroyed by the debits of the unforeseen supplements—there being nothing put on the scales to counterbalance them.

“No serious budgetary estimate is possible, with a tide of additional expenditures running high; all foresight fails and control becomes ineffective.” (Report of the commission on finances of the Senate, July 24, 1885.)
“Budgetary shortsightedness causes great and serious inconvenience; it destroys the unity of the budget.” (Speech of the senator reporting on the subject to the Senate, July 10, 1890.)

Lurking
Dangers

Further, the more or less certain contingency of additional appropriations discourages those who prepare the budget; it renders their work and their struggle for an equilibrium inefficacious and delusive. There is no budget, not even in the stage of preparation, if the voted appropriations fail to constitute the impassable limit, as they should, for the operations of the fiscal period.

We have also said that in the second place additional appropriations favor the increase of expenditures [beyond what would have been allowed if included in the original estimates], because nothing is more difficult to resist than the impulse toward expenditures, useful or quasi-useful, when the necessity for maintaining the equilibrium is no longer a restraint. When the budget is elaborated [requests for], the appropriations must undergo *competitive examination* as to their merits. Then those only which are highly approved are admitted as being within the range of financial *possibility*. But once the budget has been voted, the [additional] appropriations must pass only a simple examination to which those most highly recommended are admitted at once. Instead, therefore, of a

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judicious selection eliminating the expenditures of secondary or doubtful character, all may slip through because the legislature is not able to oppose to any of them the invincible argument—*non possumus*.

The administrations, well aware of this fact, carry over to this period their most vulnerable demands, because they know the judges are then less severe, less well prepared for resistance and less well armed for the defense of the Treasury.

Thus, additional appropriations, by destroying the original equilibrium and favoring the increase of expenditures, force the prepared budgets into a deficit, notwithstanding the fact that they were originally voted with a surplus of revenues. Examples are, unfortunately, only too numerous.

Discouraging Results

MEASURES TO CURB ADDITIONAL APPROPRIATIONS

These abuses, which speakers and writers on financial topics have assailed from the beginning of the last century, have been combated in various ways:

First, as a palliative, the law of July 18, 1836, contains the following very reasonable provision, which unhappily was never carried out: "In the future, every demand for appropriations outside of the annual law of expenditures, shall indicate the ways and means provided to meet the demanded appropriations." (Article 5, of the law of July 18, 1836, determining the budget for 1837.) Since additional appropriations have the inconvenient way of presenting themselves, isolated, with no corresponding resources, and outside of the budgetary balance, the law above cited, in order to remedy the defect, formulated the idea of demanding the designation of a special resource to satisfy the appropriation asked for. Unfortunately, the carrying out of this provision resulted only in the inserting of this commonplace formula, which the bills for additional appropriations still repeat: "The expenditure shall be met by means of resources corresponding to the needs of the fiscal period."

An Ineffective Formula

The law of 1836, having thus become a dead letter, it was thought possible, in 1851, to restore its vitality by a change of the formula: Every demand for supplementary appropriations shall henceforth contain the *precise* statement as to the ways and means allotted for the payment of the expenditure. The authors of the suggestion assumed that the neces-

The Law Amended in 1851

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Its Failure

sity for a precise statement would impose an obstacle, unsurmountable for the time being, to the destruction of the equilibrium. But at the time of the public discussion the speakers inquired what the word *precise* really meant, and what the limit would be to this precision. Shall it be necessary, in order to be absolutely *precise*, to establish a new tax for each supplementary expenditure, a procedure which, in a majority of cases, would become superfluous, because of a normally increasing growth of revenues? In brief, the Assembly, while rendering the word ineffective, contented itself with reproducing, in different terms, the idea of the law of 1836: "The plan contains the indicated ways and means to be used to meet the payment of the expenditure. If the expenditure cannot be met with funds from the resources, accruing from the fiscal period, the plan suggests that the appropriation be charged against the floating debt." (Law of May 16, 1851, Article 3.) This last phrase showed a very easy way to assign a charge to the additional *expenditures*, and as a result thereof abuses immediately manifested themselves. Since then, the following formula has become popular: "The expenditure shall be met by resources resulting from the floating debt."¹ This is all that was left of the provisions of the laws of July 18, 1836, and May 16, 1851.

Still
Another
Palliative

The statements of ministers and of legislatures, however, continued to deplore the extension of the supplementary appropriations; they are the plague of our budgets—declared M. Dupin, under the July Monarchy.

In 1849, another palliative was introduced; in order to bring some light into the chaos of demands for additional appropriations, the following suggestion² was made:

"A table, showing the appropriations charged successively against the resources of the two budgets in the course of the execution, shall be drawn, kept up-to-date in accordance with documents transmitted to the National Assembly by the Minister of Finance and placed in public view in the meeting chamber of the commissions on finances and in the bureaus." (Law of November 18, 1849, Article 1.)

¹ The following formula is often substituted: "These appropriations shall be provided for by means of the general resources of the ordinary budget of the current fiscal period."

² Suggestion made by M. Darblay, Sr.

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Since it has not been abrogated, this law still remains in force. But one would now vainly search the rooms of the legislative building in an attempt to discover the table of supplementary appropriations.

Following this sequence of ideas, the commission on budget for 1876 obtained, through the initiative of deputy Guichard, from the Minister of Finance the concession that among the annexes to the additional appropriation bills should be entered a summary of supplements already voted, together with a statement on the fiscal periods in the course of execution. This rule, although not sanctioned by law, still remains in force.

It would be simpler to publish monthly in the *Journal officiel* an up-to-date table of supplementary appropriations. This would be a periodical publication, which would inform the public and the Chambers much more regularly and accurately than can annexed schedules attached to bills, the contents of which many deputies lack the time to read and which always remain practically ignored by the public. This would be the first step towards the publication in the *Journal officiel* of the progress of public expenditures, correlatively with the progress of collections, as is the case in England.

At the same time, a law of August 12, 1876, stipulated still another palliative, that bills for additional appropriations could be submitted but once a month. Until then, these bills accumulated without order or method. Henceforth, the Minister of Finance was supposed to keep them in his portfolio and combine them into a single monthly bill;¹ thus, at least, the form was improved: "The Minister of Finance shall combine into a single bill all the demands for supplementary or extraordinary appropriations, the need for which has made itself felt in the branches of the service during the month." (The only article of the law of August 12, 1876.)

Other
Measures

We might still mention in this connection the obligation on the part of the Minister of Finance to countersign jointly with the competent ministers the bills for additional appropriations and to submit them himself to the Chambers. (Law of May 16, 1851.)

Until now, we have seen the public powers struggle against the rising tide of additional appropriations only by means of

¹ The *next train*, according to the expression used by the bureaux and recalled by M. Raymond Poincaré, in the course of the discussion on the budget for 1908.

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superficial proceedings, tending only to introduce order and clearness in the operations, without, however, attacking the evil at its roots.

CORRECTIVE BUDGETS

Other measures of greater importance have been tried out, particularly the two which follow: (1) The institution of corrective budgets; (2) the institution of transfers.

The decree of May 31, 1862, declared with regard to corrective budgets: "Article 32. The budget can be corrected, if necessary, in the course of the fiscal period"—a provision now void (but only as to its application, because no subsequent law appears to have abrogated it). As this text has failed to furnish a definition of the corrective budget, we may adopt the following: "The corrective budget is a second budget, which changes, if necessary, in the course of the fiscal period, the estimates and the authorizations contained in the annual fiscal law."

Corrective
Budget
Defined

Two essentials result. First, the corrective budget is a *budget*. It must, therefore, estimate and anticipate—in conformity with budgetary rules—the revenues and the expenditures; or, in other words, it must establish the equilibrium. Furthermore, it constitutes a *second* budget. As a result, it becomes a definite substitute for the original fiscal law, passed before the opening of the fiscal period. These are its essential characteristics. Let us study, first, its operation in France.

Corrective budgets, although authorized in principle by the Constitution of 1852, were introduced permanently into our budgetary system only in 1863, as the result of applying the *Sénatus-Consulte* of December 31, 1861. Until the last years of the Empire, that is, for seven years, a second budget was regularly submitted, discussed and voted in the course of the fiscal period, in order to correct the figures of the original revenues and expenditures and to reestablish the equilibrium, if events had upset it, after the fiscal law has been passed.

Advantages
of the
Corrective
Budget

Usually, the corrective budget appeared coincident with the budget plan for the succeeding fiscal period, that is, during the early months of the year. The date was obviously favorable for an exact revision of the estimates of revenues and of expenditures, made thus in the presence of the facts themselves. This shows the advantage of a belated voting of the

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budgets, of the *douzièmes provisoires* and of the English system, as already explained.

“By means of this revision of the state budget—analogue to the one which for a long time has fortunately been made in municipal administrations—the contingencies at the end of the year can be considerably reduced.” (Speech of M. Vuitry, Government Commissary, May 9, 1864, on the subject of corrective budgets.) Further on, the same speaker added: “What is the advantage of corrective budgets? The advantage is that while you revise the expenditures you revise at the same time the revenues; thus, the double point of view of the revenues and of the expenditures no longer escapes the attention of anybody. Not a step outside of the original budget can be taken without considering the financial possibilities along with the usefulness of the expenditure.”

This last passage explains the way in which the corrective budgets, by their construction, put an effective check on the abuse of additional appropriations. They compel the Government and the Chambers to specify the resources by means of which the supplementary expenditures shall be met. The necessity of budgetary equilibrium prevents the additional appropriations from exceeding the level of revenues, which are intended to restrain them: this is what the palliatives mentioned above attempted in vain to put into practice. Thus, the corrective budget is called in Italy the budget of *definite estimating*, which means that nothing unforeseen can happen after this budget is passed. For the same reason corrective budgets work with much success in the organization of the finances of the *départements* and of municipalities.

The Italian accounting law of 1883—codified on February 17, 1884—specifies in Article 27 that, in November of each year (that is, in the middle of the fiscal year, which begins in July), the Minister of the Treasury shall submit the corrective bill for the current fiscal period. This corrective bill is a printed bill submitted to the legislature, together with the budget plan for the ensuing fiscal period. Each year, therefore, in November or December, the Minister of the Treasury submits a corrective statement, which changes the original figures of revenues and of expenditures for the current fiscal period in conformity with the results which have been ob-

Experience
in Italy

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tained or which are anticipated. For the fiscal period 1904-1905, for example, the restorer of the Italian finances, M. Luzzatti, on December 8, 1904, anticipated a definite surplus of from 10 to 15,000,000 lire in revenue, "without artificially increasing the estimates," as he said; this surplus was absorbed, however, and even exceeded by new expenditures.¹ For the fiscal period 1907-1908, M. Carcano, Minister of the Treasury, on December 7, 1907, definitely established the probable surplus at 54,500,000 lire. For 1911-1912, M. Tedesco, about the same time, while presenting the budget for 1912-1913, corrected the current budget and brought its surplus to 23,000,000 lire.

Budgets Contrasted

In the month of December, as a rule, the original budget for the coming fiscal period is submitted to the chambers along with the *projet de règlement* of the fiscal period, which closed on the preceding 30th of June [the bill to give regularity to deficiencies]. It is interesting to note the various degrees of accuracy that obtain in these three documents drafted at the same time. The original budget for the future fiscal period, anticipating results far in advance, can give to its figures only indefiniteness. The corrective budget, on the contrary, becomes affirmative, because it works in the fiscal period, in the presence of facts. As far as the *loi de règlement* of the expired fiscal period is concerned, it contains only irrefutable and definite elements, which need not again be taken up. Since Italian finances have been reestablished on a sound basis, a comparison of these three phases of one and the same budget no longer proves a chapter of disappointments. On the contrary, the solvency of the budgets is now confirmed with certainty at every stage. In the past, the corrective budgets did not guard Italy against an upset equilibrium of the budget, but it is highly probable that they helped toward the present happy state.

Objections to the Corrective Budget

Although corrective budgets present real advantages, there are also certain objections to them. The first of these is the duality of the budgets. An original budget plus a corrective budget makes two budgets. Thus, as soon as a budget loses

¹ "It is proper to call the attention of the Chamber to the decrease of surpluses which have fallen from 69 to 34, from 34 to 15 and from 15 to 10,000,000, and which are not used for the relief of the taxpayers nor for the payment of the debts of the Treasury, but for new expenditures which were not always indispensable." (Statement of M. Luzzatti, Minister of the Treasury, December 8, 1904.)

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its unity, a rivalry is established within its double personality. One personality becomes preponderant at the expense of the other. The original budget is the one sacrificed because it is the older, and interest is necessarily concentrated upon its successor, a newcomer, the figures of which have a quasi-definite character. The original fiscal law with its temporary figures receives only a formal vote. When the corrective budgets were in force in France, the expenditures were really determined only in the course of the fiscal period, after the bulk of them had been incurred.

“You make us vote a corrective budget, which is very complicated and hard to understand. We think we make appropriations and discuss them before they are used. But this is not the case. We discuss most tranquilly amounts expended long ago.” (Speech of Deputy Magin, June 29, 1868.)

In the same way in Italy the corrective budgets monopolize public attention. When, in the month of November, the Minister of the Treasury traces, in his corrective budget, the definite outlines of the current fiscal period, his figures are accepted as relatively correct; and of a truth they are far nearer finality than the estimates formulated a year ago in the original budget. The corrective budgets give precise figures, in which confidence can be placed. The original budgets, on the contrary, contained vague phrases. “The patient has entered upon the stage of convalescence; but improvement is slow and rest as well as continuous attention is needed, so that he may regain his strength.” (Statement of Sonnino, relating to the original budget for 1896-1897.)

Effects

Thus, the good budget drives out the other, to apply the Gresham Law reversed. The main thing is to know whether the original or the corrective budget shall be sacrificed. If France would frankly resume the tradition¹ of corrective

¹ The corrective budgets have been discontinued in France as a regular and permanent measure since 1870. In 1871, however, the gravity of the events justified an important corrective budget. (Law of September 16, 1871, which established a corrective budget for 1871.)

The budget plans are often corrected in the course of preparation. The first plan is succeeded by a second, then by a third with the changes in the incumbency of the Ministry of Finance. In 1887

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budgets, and would restore Article 32 of the decree of May 31, 1862, and give it full force, it would introduce no innovation into the existing condition of things by sacrificing the original budget. France would have a chance to see its revenues and its expenditures displayed with greater certainty than at present.

TRANSFERS OF APPROPRIATIONS

Another formal procedure, that of transfers, was invoked to combat the increase of additional appropriations under the Second Empire.

The *Sénatus-Consulte* of March 31, 1861—having put to the forefront of its reform program the principle that supplementary and extraordinary appropriations should no longer be made except by the legislature by virtue of law—added the following correction: "Article 2. Special decrees issued by the Council of State can authorize transfers from one chapter to another,¹ within the budget of each ministry."

· The
Scheme of
Transfers

Owing to the combination of these two measures—one requiring the authorization by the legislature for each supplementary appropriation, and the other providing means for the transfer of funds by the executive power—the Minister of Finance, then in office, M. Fould, believed there would be no more supplementary appropriations and that order would automatically be restored. He read a memorandum to the council of ministers on November 12, 1861,² to the effect that a marvelous discovery had been made which, with certainty, would benefit the country. "I am looking for objections

these revisions of the budget plans, one after the other, caused M. Paul Leroy-Beaulieu to write in the *Economiste français* a biting article under the title: "The Fifth Budget Plan for the Fiscal Period 1887" (Issue of January 15, 1887.) These corrected budget plans, however, are not *corrective budgets*. Since 1871 there have been no corrective budgets in France.

¹ As the legislative vote then referred only to sections, it would have been more regular to speak only of transfers from section to section and not of transfers from chapter to chapter. But under this last formula were understood transfers between the chapters of one section and the chapters of another section within one and the same ministry.

² This memorandum was published in the *Journal officiel* together with a very flattering letter from the Emperor, who entrusted the portfolio of Finance to the author of the memorandum.

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which might be brought against my scheme, but I find none to which it would not be possible to make answer."

Evidently the idea of requiring authorization by the legislative body in the matter of additional appropriations was making considerable progress. But, as such action could be only intermittent because the Chambers were not permanently in session, the power of making transfers was reserved for the Executive, when the Chambers were adjourned, in order not to block the course of affairs. "I see in this," added the ministerial memorandum, "the only practical and efficacious way to insure the continuation of public works during the absence of the legislative body."

The transfers thus put at the disposal of the Government formed two distinct categories. First, any portion of an unused item of appropriation within a chapter could be applied to items which proved to be inadequate. Generally speaking, transfers of this kind could be made only toward the end of the year, when a surplus had become apparent.¹ They were called *transfers of available surpluses*. A second kind of transfer privilege, more dangerous than the former, permitted the Executive to borrow from certain chapters a portion of their appropriations, available at the moment, in order to meet the urgent needs of other chapters. Later, before the closing of the fiscal period, these borrowing chapters would undertake to return the funds temporarily loaned to them. That this was only a temporary advance, or a loan, is indicated by the title: *temporary transfers or transfers to be restituted*. Owing to this character of loan the Minister was able to await in safety until funds should become available, either through economies or through supplements of resources voted by the legislature. If, at the last moment, the general total of budgetary appropriations was exhausted, it became necessary to obtain a vote from the legislature, but only a vote *in extremis* demanded after the disbursement.

These devices of 1861 were not lacking in ingenuity on the part of the Executive. On the one hand, they seemed to confirm the powers of the legislature, while in reality they permitted the Executive to nullify them. Because of their false

Two
Kinds of
Transfers

Dangers
of the
Transfer
Scheme

¹ Briefly this procedure consisted in using the annulled amounts instead of letting them become forfeited to the Treasury. This is still practiced (as we shall see), as soon as a plan for a supplementary appropriation is submitted correlatively with a plan of annulment.

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appearance, they failed in practical application. Significant facts soon disclosed the sinister side of the scheme.

In 1862, for example, the Executive—after having regularly obtained in June an initial appropriation for the expedition to Mexico—transferred, two months later, a second appropriation amounting to 26,000,000 (August, 1862), without even taking the trouble to cover the infraction by a corresponding entry. When, later on, the Chamber remonstrated, the official speakers hastened to acknowledge the mistake, but excused it by saying that the Executive might have avoided it through a decree of transfers. This had not been done because the "Chapters of the Army and of the Navy were already burdened to such an extent that they permitted no *material* transfers." Therefore—the official speakers insisted—it was only the infraction of a formality. The Chamber, with more of submission than conviction, accepted these explanations and voted an indemnity bill, not without observing, however, that the formality was futile since the Executive abstained from complying with it.

The following year, 1863, the Executive appropriated for its own purposes 93,000,000 francs, ignoring the routine for transfers, because it recognized the futility of the institution. (Report of Deputy Larrabure, January 4, 1864.)

A Final
Case

Finally, a last case deserves to be specially cited. The cotton crisis, which occurred toward the end of 1862, brought distress to the workingmen of Rouen and neighboring towns for whom an appropriation of 700,000 francs for urgent subsidies was made by means of a transfer. But from which chapter were these 700,000 francs transferred? From that of prisons. Thus, later on, when the Executive wanted to make the operation a regular one, it limited itself to demanding from the legislative body a supplementary appropriation of 700,000 francs for prisons, with never a word about the cotton crisis. The actual expenditure had disappeared.

These *quid pro quos* discredited the system: the most vivid reclamations were made against its use on account of the disorder brought about through bad faith in execution. Toward the end of the Empire, the system spontaneously fell into disuse, without being officially abrogated.¹ Finally, after 1870-

¹ The fiscal law for the fiscal period 1871, the last one passed under the Empire, tried to regularize the transfers by prohibiting their use: (1) with regard to the appropriations from the public debt; (2) with regard to extraordinary appropriations made for the benefit

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1871, the first act of the National Assembly was to include in the new budgetary constitution the following provision: "No transfer of appropriations from one chapter to another shall be allowed." (Law of September 16, 1871, Article 30.)

Nobody now thinks of reëstablishing the transfers: generally speaking, they rendered only illusory services.

of ordinary funds; (3) for the benefit of secret funds. (Law of July 27, 1870, Article 38.) The mere statement of these interdictions is instructive because it proves that until then transfers permitted the diversion of funds of the public debt from their proper destination; to supply the ordinary expenditures with extraordinary funds and to increase unduly the figure of the secret funds.

CHAPTER XVII

ADDITIONAL APPROPRIATIONS

Legislature Holds Power: Villèle's Ordinance of 1827; Additional Legislation; Two Limits Fixed; Extraordinary Appropriations Remain; Appropriations Under Plea of Urgency; M. Thiers.

Legislation on Additional Appropriations: Various Measures; Legislature Delegates Authority; Legislature Circumscribes Delegated Authority; Supplementary and Extraordinary Appropriations; Definitions; Applications of the Law; Voted Operations; Additional Appropriations Can Issue; Complementary Appropriations; Some Instances; Belgium's Experience.

Annulments of Appropriations: How Annulments Arise; Two Forms of Annulments; Deceptive Practices.

Results of the Regulation of Additional Appropriations: The Stewardship of the Legislature; Better Results; Possibilities of Retrenchment; Some Illustrations; Deception in Practice; Deliberate Delays and Deceptions; Admission of Abuses; Responsibility Fixed.

Additional Appropriations in Foreign Countries: Italian Experience Satisfactory; Satisfactory Results in Belgium; Railroads Upset Calculations; Experience in Prussia; Russian Experience Unsatisfactory; Some Cases in Point; English Estimates Exact; Supplementary Estimates; Votes of Credits; Summer and Spring Supplements; Average Additional Appropriations; Mr. Goschen's Statement; Effects of Boer War; Normal Conditions Restored; Reasons for English Accuracy.

The only efficacious obstacle against the tide of additional appropriations lies in the firm determination of the legislative body to oppose them; the failure of procedures, devised for the purpose of creating an artificial check, has already proved the above contention; this chapter will show it still more clearly.

Legislature
Holds
Power

The legislature possesses the same sovereign right with regard to the vote on supplements to appropriations as it does with regard to original appropriations; both of these rights belong to the legislature. Its complete authority in the premises immediately fixes its responsibility. This is what countries, having a parliamentary form of government, finally came to understand, and their legislation has taken due notice of this responsibility.

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The history of additional appropriations in France runs parallel with the history of specialization by chapter [special funding of different activities]. The two routes pass through the same stages and stop on the same dates. This coincidence will make it possible to abbreviate this part of the discussion.

As in the preceding chapter, we shall pass over the periods of the *Consulat* and the Empire, for during these the whim of the Executive was opposed by few legal barriers. The law of March 25, 1817—that which inaugurated the specialization of votes by ministry—marks the points of departure. This law authorized supplements to appropriations “in extraordinary and urgent cases, on the basis of Royal Ordinances, which had to be converted into laws at the next session of the Chambers.”

The voting on supplements to appropriations rests, in principle, with the representatives of the country. Only under extraordinary and urgent circumstances was the authority of the king sufficient warrant to authorize the issue of supplementary appropriations and then they were to be referred to the Legislature within the shortest possible time. The words *extraordinary and urgent* left to the Executive every possible latitude with no other limit than its own interpretation. The law of June 27, 1819, vainly insisted upon the necessity of converting into laws, within the shortest possible time, the [executive] ordinances on supplements to appropriations (Article 21); this guarantee, however, was belated and the formality powerless in the presence of actual facts.

There were several attempts at reform, but nothing was changed until 1827. Then, the ordinance of September 1, 1827, was issued by de Villèle. This ordinance has already been quoted for the purpose of showing its liberal provisions, introducing the voting by sections of ministries. But so far as additional appropriations are concerned, the ordinance in question—far from proceeding along progressive lines—retrograded considerably by ordering that, in the future, the ordinances relating to additional appropriations should be controlled by the law definitely regulating the budget. Doubtless this provision referred only to “expenditures relating to ordinary operations voted by the budget, which, on account of unforeseen circumstances, would have exceeded the total of the special sections (Article 4)”; this would exclude *extraordinary* appropriations. The old rule of the laws of 1817 and 1819—according to which it was necessary in every case

Villèle's
Ordinance
of 1827

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to refer them to the Chambers as soon as they met—was partially abrogated, and appropriations to be ratified at some subsequent date perpetuated the abusive initiative of the Government, under the name of *complementary appropriations* (Article 4), of which we shall speak later.

Additional
Legislation

After the Revolution of 1830—when the law of January 29, 1831, installed the voting by chapter—the laws of April 24, 1833, and of May 23, 1834, undertook in turn to put the authorization of additional appropriations on a sounder basis. The law of April 24, 1833,¹ abrogated the ordinance of 1827 and rendered obligatory the ratification of all ordinances on supplements to appropriations at the ensuing session of the Chambers. Then, the law of May 23, 1834,² attempted to give to the law of March 25, 1817, the precision which it lacked. In order to achieve this purpose, this law began by proclaiming the principle that all supplements to appropriations should receive the sanction of the deputies. As an exception only, the law by an enumeration subsequently designated those appropriations, which in certain cases might temporarily be made by a simple ordinance. The sphere of power entrusted to the Government in the absence of the Chambers was thus distinctly defined. "The terms of the law of 1817 which regulate this question are too vague. . . . It would be an advantage both for the Government and for the Chambers to confine within more definite limits the power to increase the expenditures of the State by ordinance or, in other words, to add to the budget." (Report of Count Duchâtel on the budget plan for 1835.) The law of 1834 distinguished in the budgets two categories for determining expenditures; the one figured out the definite amount, or a certain maximum arrived at through knowledge of conditions giving rise to the expenditure; the other included expenditures estimated as probable without having exact data on which to base a calculation. These are the *limited appropriations* and the *estimated*

Two Limits
Fixed

¹ This law also contains provisions relating to the counter-signature of the ministers and the submitting of the plans by the Minister of Finance.

² The deputy reporting on the budget to the commission on budget for 1835 started by stating that the figure of additional appropriations was progressing constantly. For 1832 the Chamber voted additional appropriations for more than 57,000,000, for 1833 for more than 26,000,000; the supplements demanded for 1834 exceeded 41,000,000 francs. The impotency of the system was thus demonstrated and its reform became imperative.

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appropriations of which we have spoken.¹ These are called in the law of 1834 the *fixed allotments* and *voted operations*.

“The budget is divided on the one hand into voted operations, the expenditures of which may not correspond with the estimates; on the other hand, into fixed allotments within the limits of which the administration must keep itself.” (Report of Count Duchâtel.)

Owing to this rational division, it was possible to stipulate that the fixed allotments should, under all circumstances, remain within the limits imposed by law; but that under certain circumstances the voted operations might be released. “Article 11. The power to make, by ordinance of the king, supplementary appropriations . . . in order to provide for a properly justified deficiency of an operation contained in the budget, can be applied only to expenditures of a voted operation, the enumeration of which follows.” (Fiscal law of May 23, 1834.) This enumeration contained the titles of thirty-six budgetary chapters composed of operations analogous to those quoted above, as examples of estimated appropriations. These were particularly the expenditures for criminal justice, premiums, purchases of provisions and forage, interest on the floating debt, remittances to tax collectors, purchases and transportation costs of tobacco, reimbursements and restitutions, etc.²

The others remained in the hands of the legislature. The last article, however, declared: “Article 12. The power granted by Article 152 of the law of March 25, 1817, to make appropriations by ordinance of the king for urgent and extraordinary cases, can be applied only to operations which could not be anticipated and regulated by the budget.” The extraordinary appropriations, accordingly, still remain a dangerous exception outside of the law. It was sufficient for a new expenditure to assume the character of urgency only in the eyes of the Government; it could at once on its own initiative, and in the absence of the Chambers, authorize the expenditure by means of additional appropriations.

Here was the undoing of the law of 1834. The Executive

Extraor-
dinary
Appropriations
Remain

¹ See Chapter VII.

² The laws of 1871 and 1879 reproduce, as we shall see, this provision of the law of May 23, 1834.

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Appropriations Under Plea of Urgency

abused the right contained in Article 12. In 1840, particularly, the Cabinet of March 1, presided over by Thiers under the plea of *urgency* and by means of a simple [executive] ordinance—while satisfying the Ministers of War and of Public Works with an appropriation of 12,000,000 francs—appropriated 100,000,000 for the fortification of Paris.¹ At the same time, because of European complications which were threatening,² Thiers, without convening the Chambers, thought that by the signature of the king only, he could create twelve regiments of infantry, four regiments of cavalry, batteries of artillery, etc., thus involving a permanent expenditure of more than 50,000,000.³ (Ordinances of September 21, 28 and 29, 1840.) Finally, without ordinances and without any appropriations whatsoever, the deceptive formalities

¹ Ordinance of the king which declared the public usefulness and the urgency of the works of fortifications to be executed around the City of Paris: "Louis-Philippe, etc., in view of the opinion of the commission of defence of the Kingdom . . . in view of Article 11 of the law of May 23, 1834, relating to appropriations for unforeseen operations . . . ; Article 1. The works to be executed about the City of Paris are herewith declared to be a public utility and of an urgent nature." (September 10, and 16, 1840.)

The question of the fortification of Paris, thus entered upon, was again taken up by the legislature in 1841; it caused memorable discussions which resulted in the law of April 3, 1841, allotting 140,000,000 to the work in question and ratifying the opening of a temporary appropriation of 13,000,000.

² In spite of the favorable disposition manifested by France for the Pasha of Egypt, the other powers acted against Mehemet-Ali and the Treaty of London of July 15, 1840, eliminated France from the European concert. It was necessary after that time to face the possibility of a war. Already the Oriental question had caused dangerous complications. Thiers deemed it his duty to increase the forces of the Army and of the Navy. He did it, however, outside of the legislature to such an extent that upon his retirement from the ministry, about the end of October, 1840, the temporary appropriations which had been made and already used up had not as yet received the sanction of the legislature. In this lies his grave political and financial mistake.

³ The ordinance of September 21, 1840, reads as follows: "Article 1. An extraordinary appropriation of 57,674,000 francs is made for our Minister of War in the fiscal period 1840 for the purpose of providing for the urgent expenditures resulting from the increase of the effective force and of the material of the Army, which expenditures, *although not anticipated in the budget for the said fiscal period*, refer to special chapters designated hereinafter. Article 2. The regularization of this extraordinary appropriation will be suggested to the Chambers at their next session."

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were dropped; the bargaining of all kinds which was going on, both for the Navy and for the Army, made it necessary to submit at the following session of the Chambers a demand for an extraordinary appropriation of 145,000,000, for the purpose of balancing the accounts. Thus, within a few months, without the coöperation of the Chambers, simple administrative acts had actually involved more than 300,000,000.

The Opposition, in the course of the discussion which took place in 1841, went so far as to accuse Thiers of having burdened France, through his warlike measures, with over 1,000,000,000 of supplementary expenditures. Thiers showed the exaggeration of the charges, for which he alone had not been responsible. Nevertheless, it can hardly be denied that, beginning with this period, the finances of the country became entangled. Clearly, it is dangerous to entrust, even to the wisest—and the liberator of the country well demonstrated after 1871 his profound wisdom—the power to make budgetary appropriations without the concurrence of the legislature.¹ M. Thiers

In spite of the episode of 1840, the law of 1834 continued to operate until the end of the July Monarchy. No special arrangement was made in 1848. Then, under the Second Empire, the *Sénatus-Consultes* of 1852,² 1861³ and 1869,⁴ made

¹ Read the newspapers of the time, the discussions of the Chambers and the work of M. Thureau-Dangin (fourth volume) on the subject of the attitude of Thiers in 1840, his military aspirations, his plans of campaign, his souvenirs of Napoleon. Lamartine exclaimed as follows: "It is necessary to discourage the imitators of Napoleon." "Oh," replied Thiers, "who could think of imitating him?" "You are right," replied Lamartine; "I wanted to say the *parodists* of Napoleon."

² The fiscal law of July 8, 1852, maintained the laws of 1833 and 1834. Only the *Sénatus-Consulte* of December 25, 1852, added the power to be given to the head of the State to order, on his own authority, all works of public utility, all enterprises of general utility and to make temporarily all extraordinary appropriations for these purposes.

³ The *Sénatus-Consulte* of December 31, 1861, set forth as a principle: "That no supplementary appropriations or extraordinary appropriations shall be made, unless by virtue of a law"; this *Sénatus-Consulte* admitted at the same time the possibility of making transfers, the abuses of which, as we have seen, absolutely destroyed the good effects which the application of the above principle might have produced.

⁴ Finally, the *Sénatus-Consulte* of September 8, 1869, without containing any special provision with regard to additional appropria-

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the additional appropriations take the same steps as the specification of votes. Thus, we come at once to 1870-1871.

LEGISLATION ON ADDITIONAL APPROPRIATIONS

Various Measures

The National Assembly from 1871 to 1875, taking up the question where it had been dropped by the Monarchy of July, solved the problem definitely by the law of September 16, 1871.¹ This law made the vote of the legislature obligatory on all supplements to appropriations, except during the period of adjournment of the Chambers; it also limited additional appropriations which might be made by executive ordinance during adjournment to a specified list of voted operations. These are the main features of the new order of things which has existed to our day.

The law of 1871 was superseded by one of December 14, 1879, containing the same principles but outlining greater precision with regard to details.² This law will constitute the only subject of further study, because it codified all the regulations governing additional appropriations.

Beginning with its first article, the law of December 14, 1879, proclaimed the fundamental principle, announced at different times with more or less sincerity by preceding laws: "No supplementary and extraordinary appropriations³ shall be made except by virtue of a law." All new legislation rests on this article—the power to make additional appropriations, like any other appropriation, rests with the legislature alone. If it were necessary, therefore, to answer in a word the question: By whom are the additional appropriations authorized? It would be sufficient to answer: By the Legislature.

tions, concurs in curbing the encroachments of the executive power by introducing the "vote by chapter" into the budgetary legislation.

¹ The law of September 16, 1871, which proclaimed the vote by chapter and abolished the power of making transfers, has been already cited.

² The only innovation in the law of July 14, 1879, consisted of a definition of supplementary and extraordinary appropriations and of specifying the words *in case of adjournment of the National Assembly*.

³ The law of 1879 would have done much better by using the generic term of additional appropriations from the beginning—particularly because its enumeration of supplementary and extraordinary appropriations is incomplete, as we shall see, for complementary appropriations are still in existence.

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This principle dominates the entire subject; the rest of the law of 1879 treats only of the exceptions.

What warrants these exceptions? The lack of permanency in the sessions of the Chambers. If the deputies were always in session, the rule of the law would be absolute. Many causes, however, both periodical and incidental, suspend the sessions. Therefore, in view of unforeseen events which may occur during periods of adjournment, the legislature delegates a portion of its power to the only permanent authority [the Executive, to make additional appropriations by ordinance]. The main thing is to define carefully the scope of this necessary delegation, in order to avoid giving it too great range as was done in the law of 1817 through the words *extraordinary and urgent*. The laws of 1871 and 1879 were careful to use definite formulae.

Legislature
Delegates
Authority

First, the period during which the Chambers are not in session—when there is the possibility of exceptional provisions being made—is exactly determined. But when are the Chambers adjourned? The first paragraph of Article 2 of the Constitutional Law of July 16, 1875 (Article 4)¹ defined this so as to exclude formally the case of *dissolution*, which the broader terms of the original law of 1871 had unwisely included. The political incidents of May 16, 1877, had rendered the deputies more cautious. The Government of May 16—as may be recalled, after the Chamber had been dissolved at its instance—made, in conformity with the provisions of the law of 1871, a number of additional appropriations in order to conduct the regular operations until the convening of the new Chamber. Since it did not convene until November, and, as the crisis of May 16 had culminated in the refusal to vote the budget, the deputies were more than ever convinced that it was absolutely necessary for them to consolidate their political power by maintaining their budgetary prerogative [their control over the purse]. The list of cases, where the force of circumstances might divest them of their sovereignty in appropriation matters, was carefully revised in 1879. During the normal intervals between sessions the Executive was to hold certain enumerated powers. In case of dissolution, however—that is, in the case of an anticipated

Legislature
Circum-
scribes
Delegated
Authority

¹ The first paragraph of Article 2 of the law of July 16, 1875, says: "The President of the Republic pronounces the closing of the session. He has the right to call an extraordinary session of the Chambers. . . ."

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dismissal of the Chambers, a dismissal brought about by the Executive—no exception would be justified.¹

The period of absence of the Chambers being thus interpreted, the question arises: What exceptional rights shall be granted the Executive during such vacation of the Chambers?

The law of 1879 began by distinguishing supplementary appropriations from extraordinary appropriations. Its definitions were rather complicated; the exact text of the definition of extraordinary appropriations follows:

Supplemen-
tary and
Extraordi-
nary Appro-
priations

"Extraordinary appropriations are those which are caused by urgent and unforeseen circumstances and the purpose of which is either the establishment of a new operation or the extension of an operation contained in the fiscal law, beyond the limits determined by that law."
(Article 2 of the law of December 14, 1879.)

We can, without changing it materially, reduce this definition to simpler terms: "Extraordinary appropriations apply to operations or portions of operations not anticipated by the legislature." This formula, therefore, divides extraordinary appropriations into two categories: one applying to operations not anticipated in their entirety; the other applying to portions of unanticipated operations. In case of the first, that is, of operations not carried in their totals in the budget,² the principle of the law, according to which every authorization of

¹ "Does the executive power need funds outside of the estimates of its own budget? In the first place, as far as I am concerned, I admit that I am by no means very much annoyed by the fact that the budget is prepared, thought over, and discussed in such a way that the estimates are rarely mistaken. But I acknowledge that there are cases where the estimates can be exceeded. . . . Then, if the Chamber of Deputies is dissolved, convene the electors so that they may promptly elect a new Chamber; then the executive power shall be armed and shall proceed by regular means. It depends upon the executive power not to use the delay, the maximum of which is three months. Let the executive power shorten this delay; this is the motive which our law favors." (Speech of Senator Bertauld, reporting on the bill, March 25, 1879.)

² As an example of an extraordinary operation of this first category, we may cite the *experiment of mobilization within a territory of one army corps*, which formed in 1887 a "new" chapter of the budget of the Ministry of War by means of an extraordinary appropriation with an allotment of 7,000,000 francs. (Law of July 29, 1887.)

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appropriations shall emanate from the legislative body, remains in full force. Here is the first kind of appropriation which the Executive is always forbidden to make, even during the absence of the Chambers.

In case of operations partly entered in the budget, which only need an extension beyond their original limits, the legislature—having already pronounced its opinion on the subject of the operation itself, and the demand of the Executive relating only to a supplement to the main operation—permits the Executive to go ahead temporarily, under certain conditions and during the absence of the legislature. The appropriation still retains its extraordinary character, because “the limits determined primarily by the law have been transgressed.”

“Supplementary appropriations,” declared the law of December 14, 1879, “are those which have to provide for the deficiency in an operation entered in the budget, the purpose of which is the carrying on of an operation already voted, without changing its nature.” (Article 2.) Definitions

Again, reducing this definition to simpler terms, we may say: “The supplementary appropriations tend exclusively to increase the allotments for operations already entered in the budget.” They establish no new operation or extension thereof; they maintain the items of the expenditures in the same categories as the budget [act of appropriation] fixed them, limiting themselves to increasing the figures of their allotments.

Recapitulating, the extraordinary appropriations of the first category apply to new operations entirely unknown to the original budget; the extraordinary appropriations of the second category apply to new operations, as far as the portion to be attached to the original operation is concerned. As for supplementary appropriations, they refer only to the figures, without touching the titles at all.

The classification of the law of 1879 would have been much clearer and just as rational, if it had called the additional appropriations relating to entirely new operations *extraordinary* appropriations, and the additional appropriations relating to new portions of the operation and to increases of figures of existing allotments, *supplementary* appropriations. Then the extraordinary appropriations alone would have been kept within the law, while the need of a decree in the absence

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of the Chambers would have been reserved for the supplementary appropriations. Nothing seems to be more obscure at first than these two divisions made within the extraordinary appropriations. Be this as it may, the Government, according to the terms of the law of 1879, may act only in case of the last two classes of additional appropriations—the extraordinary appropriations of the second category and supplementary appropriations. The following conditions must also be observed.

Applications
of the Law

First, the plans of the decrees must be discussed and approved by the council of ministers and the decrees must be issued by the Council of State: the first formality needs no further explanation. Let us state, however, that the discussion by the council of ministers is a Government activity of a routine nature, very properly classified among the palliatives, which we have cited previously in connection with the legislation of 1833 and 1851.

The approval by the Council of State would eventually possess a greater importance.

The law of 1879 stipulated, in the second place, that “the decrees shall indicate the ways and means for the demanded appropriations,” which is another element of control. (Laws of 1836 and 1851.)

Voted
Operations

In the third place, “only voted operations—a list of which shall be attached each year to the fiscal law—shall permit the making of supplementary appropriations.” (Article 5 of the law of December 14, 1879.) This is the resurrection of the provisions of the law of May 23, 1834, which has been mentioned; these provisions limiting the rights of the Government to *estimated appropriations*, or *voted operations*, are wise.¹ The designation of voted operations is not left to the arbitrary decision of the executive power. A list is prepared by the legislature in accordance with the law of 1834, and at present prepared annually, in keeping with the laws of 1871 and 1879. In each fiscal law, therefore, there is now an article referring to an annexed table, mentioned in the *Means of operations and annual provisions*,² which table enumerates the chapters under which supplementary appropriations can be opened during the adjournment of the Chambers.

Finally, the decrees making additional appropriations must

¹ See Chapter VII.

² See Chapter IX.

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be submitted for approval to the Chambers within the first fifteen days after they convene.

For the sake of clearness, let us recapitulate these five restrictions [the conditions under which additional appropriations can be issued]: (1) Absence of the Chambers on account of adjournment but not on account of dissolution; (2) exclusion of additional appropriations entering into the category of extraordinary appropriations of the first class; (3) the annual list made by the legislature of chapters to which supplements of appropriations can apply exclusively; (4) decrees approved by the council of ministers and issued by the Council of State; indication of ways and means; (5) reservation of the sanction of the legislature, which must be demanded within fifteen days from its convocation.

Additional
Appropriations
Can
Issue

The law of 1879 does not mention the last kind of additional appropriations, the *complementary appropriations* which, as a matter of fact, should not exist.

Their establishment in 1827, by the ordinance of September 1, has been mentioned above. The laws of 1833 and 1834 abolished them, and in fact from that time until the present they have not reappeared. It was quite surprising when Article 32 of the decree of May 31, 1862, mentioned them.¹

After an interval of forty years, however, the laws regulating the fiscal period 1870² and 1871³ restored complementary appropriations to their former importance. The

Complementary
Appropriations

¹ Article 32 of the decree of May 31, 1862, declared: "Operations of regularization, subsequent to the closing of the fiscal period, form the subject of special suggestions in the law of regulation." The question arises whether these rather vague terms are sufficient for the authorization of the restoration of complementary appropriations and whether, by the way, article 32 is not implicitly abrogated by article 4 of the law of January 25, 1889. (See on the subject the work of M. Victor Marcé, Councilor of the *Cour des Comptes*, concerning the law of January 25, 1889.)

² The law of regulation of the fiscal period 1870 provided: "The appropriations made by the fiscal law of May 8, 1869, and by various special laws are increased by the sum of 798,785,911.32 francs, by *complementary appropriations*." (Law of August 5, 1882, regulating the fiscal period 1870.)

³ The law of regulation of the fiscal period 1871 reads as follows: "Appropriations made by the fiscal law of July 27, 1870, and by various special laws are increased by the sum of 504,613,098.68 francs by *complementary appropriations*." (Law of July 23, 1885, regulating the budget for 1871.)

These two items of complementary appropriations together amount to more than 1,300,000,000.

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events of the war justified their resurrection, which, by the way, was only temporary. In 1873, 1874, 1875 and 1876¹ the figures involved decreased successively. They disappeared completely in 1877. The Minister of Finance even officially informed his colleagues by a circular note, dated June 12, 1879, that the procedure of complementary appropriations should no longer be permitted.

A bill, however, relating to the regulation of the fiscal period 1882, on December 5, 1885, called them back unexpectedly. In 1882, the expenditures of the Tunis expedition exceeded the appropriations of several chapters by a total of 5,744,112 francs, 82 c., as the result of delivering urgent orders for payment, which was not a regular procedure in the service of the Army. The Government first demanded from the Chambers an indemnity bill under the form of supplementary appropriations. The commission on budget having rejected this demand on November 12, 1884, the Chambers on May 30, 1885, approved the judgment of the commission. Not knowing what step to take and having exceeded the appropriations by 5,744,112 francs, 82 c., the Government at the end of three years decided to enter this amount in the bill regulating the fiscal period for 1882, under the form of a complementary appropriation, according to the ancient method.² The statement of supporting arguments explained that, only because it was tired of the conflict, had the Government decided to resort to this antiquated system.

Some
Instances

Nearly all subsequent budget plans continued—timidly of course and with many excuses—to formulate suggestions of complementary appropriations which revealed overdrafts in

¹ In 1872 the complementary appropriations suggested by the bill of definite regulation did not exceed 4,790.89 francs; in 1873, 835.434.66 francs; in 1874, 199,860.51 francs; in 1875, 477,095.04 francs. Finally, in 1876, the total of complementary appropriations suggested by the Government came down to 14 francs. The law of regulation of March 6, 1890, however, increased this amount to 291,014 francs, including the ratification of appropriations made by decrease during the dissolution of the Chambers. For the same reason, 2,536,094.31 francs of complementary appropriations were entered in the law of regulation for the fiscal period 1877. (Law of March 12, 1890.)

² When the ordinance of 1827 established complementary appropriations, near the close of the fiscal period the laws of regulation were the subject of serious discussion; this was a double guarantee which is now entirely lacking. To revive complementary appropriations would not be to return to the mistakes made by M. de Villèle, as the statements of supporting arguments pretend.

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appropriations, often considerable ones and uncontrolled.¹ Thus, the bill regulating the fiscal period for 1893 demanded 10,559,417 francs for the Ministries of Justice, War, Finances, the Navy and the Colonies.² The bill regulating the fiscal period for 1897 demanded 15,962,000 francs for the Ministries of War and the Colonies. For 1896, the *complementary appropriations* totalled only 2,034 francs, and in 1898 they disappeared completely. (Bill of regulation of January 11, 1900.) In 1904, all columns having the title *complementary appropriations* were filled out with dotted lines. But in the laws of regulation, there is always an open column, which is a source of temptation.³ In 1906, indeed, 143,128 francs reappeared in this column. The evil can, therefore, reappear in spite of the interdiction pronounced in 1879 by the Minister of Finance.

It is not surprising, when both the administrative and legislative branches of the Government support the system of complementary appropriations, that we should find it in the law of 1879.

Besides, certain foreign countries, such as Belgium,⁴ employ it. In Belgium, at least the matter is regulated; the complementary appropriations are authorized exclusively for *voted operations*, for *estimated* appropriations, which, as we know, escape, because of their nature, the rigor of allotments

Belgium's
Experience

¹ The statement of supporting arguments of the plan of regulation for the fiscal period 1889, which demanded 859,005.69 francs of complementary appropriations to be applied to the service of the colonies, contains interesting disclosures relating to the subject of exceeding the appropriations for the colonies, "which the Administration of Finances is unable to prevent. This overspending is, therefore, done outside of any action on its part. . . ." (Statement of January 17, 1891.) Since then, the decree of May 16, 1891, issued for the purpose of reorganizing the service of issuing payment vouchers for the colonies, possibly improved the situation.

² The plan of January 18, 1895, gives an entire series of reasons tending to explain why "the Government sees itself 'compelled' to enter the road of complementary appropriations."

³ It seems that a legislative motion is necessary to abolish the column opened in advance in the bills of regulation for the complementary appropriations.

⁴ In Belgium the figure of complementary appropriations reaches each year the sum of 1,500,000 to 2,000,000 in a budget of 400,000,000 francs. Other additional, extraordinary and supplementary appropriations amount to about from 8 to 10,000,000, according to the fiscal period; the State railways are always the principal cause for the complementary appropriations.

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by the legislature. In Belgium, there can be no indemnity bill in the law of regulation in case a *limited* appropriation is exceeded. It means much to establish any regulatory provision whatsoever with regard to such matters.

The definition of complementary appropriations must now be formulated. The following terms show, if we weigh them, once more the insidious character of the institution.

"Complementary appropriations are appropriations made by the law of regulation, in order to cover the excesses of expenditures for a given purpose."

ANNULMENTS OF APPROPRIATIONS

The annulments of appropriations, the counterpart of additional appropriations, reduce the figures of the original budget instead of increasing them. They may be defined as follows: "Annulments strike unused appropriations out of the fiscal law."

Failure to use appropriations results from two causes:

How Annul-
ments Arise

1. Time was lacking during the fiscal period for completing the operation: the expenditure of course was made, but the liquidation of the expenditure, its vouchering for payment or its payment, could not take place within the legal space of time. The annulment, in this case, operates as a routine measure to carry the expenditures forward to the ensuing fiscal period. This subject will be treated more extensively when we discuss the *closed fiscal periods*.

2. The expenditure has not been made, or the appropriation exceeds the needs of the operation. The annulment of the unused portion of an appropriation then becomes definite and constitutes a real saving [from the viewpoint of the Treasury].

Thus, we have two categories of annulments: the first is the *routine annulment*, implying the carrying forward of the appropriation to the next fiscal period, a mere shifting of figures; the second is the *real annulment*, which involves a definite cancellation.

Two
Forms of
Annulments

Let us insist, figures in hand, on this distinction between the two categories, which is not always sufficiently done by the statistical tables of the legislature,¹ although the laws of

¹ A report of the commission on budget reads: "The annulments of appropriations, taking the average for the last five fiscal periods,

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regulation necessarily furnish positive and official data. Thus, the regulation plan of one of the last fiscal periods shows annulments of 116,814,754 francs to be deducted; the regulation plan divides this sum into three, which, combined into two for the sake of clearness, contains on the one hand 18,880,000 francs of routine annulments and 97,934,000 of definite annulments.

The fiscal period in question, thus furnished in definite annulments, that is in savings, almost 98,000,000, which exceeds by far the usual average of from 50 to 60,000,000 francs.¹

One of the main causes for errors in the legislative statistics or other statistics prepared in the course of the fiscal period—before the passing of the law of regulation—results from the bad practice followed in connection with the plans for additional appropriations. This practice is to deduct at once the total of annulments, in order to cause less concern by submitting to the legislature a *net* total, and, therefore, a reduced total of additional appropriations, resulting from the subtraction of annulments. The latter serve the purpose of helping to pass additional appropriations. This procedure has regrettable analogies to that of the old transfers of 1861. Although possibly regular as to form, it is much less regular as to intention. Why anticipate the natural order and be in haste with regard to using the annulments? Why not reserve them all for the law of regulation? Because there is hope of deceiving the legislature.² Not only is the abuse of supple-

Deceptive
Practices

amount yearly to 70,200,000 francs.” (Chamber of Deputies, budget for 1890, report of March 23, 1889.) Another report almost contemporaneous with the former reads: “The annulments of appropriations amount on the average every year to 40 or 50,000,000 francs.” (Chamber of Deputies, March 8, 1890.) These discrepancies prove to what extent the figures are interpreted differently according to whether the financial documents are used as references with more or less discrimination.

¹ Definite annulments ascertained “at the close” of fiscal periods by the laws of regulation:

Fiscal Period		Fiscal Period	
1892	46,500,000 francs	1904	39,044,000 francs
1893	49,900,000 “	1905	73,480,000 “
1902	46,056,000 “	1910	112,911,000 “
1903	49,549,000 “		

Apart from the two last regulated fiscal periods, we see that the average did not reach even the amount of 50,000,000 francs.

² These bills express it as follows: “The annulments hereinafter

THE BUDGET

mentary appropriations favored, but the administrations avail themselves of the opportunity to exaggerate in advance their demands for original appropriations in order later to procure for themselves large annulments [credit for an apparent saving].¹

Be that as it may, the total of annulments scattered through the demands for additional appropriations, including those which are reserved for the *loi de règlement*,² never reaches a considerable figure, and it can be safely said, not even a sufficient figure—two or two and one-half per cent. of the grand total of expenditures at the most.³ The additional appropria-

mentioned have the purpose of offsetting the increases of appropriations demanded elsewhere."

¹ A report of the commission on finances of the Senate describes these maneuvers as follows: "The administrations often make the legislature incur an expenditure by demanding an entire appropriation; the administrations are perfectly well aware of the fact that the expenditure cannot all be disbursed in the course of the year and they therefore more easily obtain the carrying forward of this expenditure. . . . This carrying forward and the annulments corresponding to the former, thus reach too high a proportion. . . . This is not a procedure of good financial management. . . . These annulments and the carrying forward upset the accounting and alter the appearance of the fiscal period . . . etc." (Report of M. Boulanger, June 24, 1890.)

More recently M. Raymond Poincaré, in a report to the Senate of November 21, 1907, wrote as follows: "The annulments suggested in the course of the fiscal period are, generally speaking, submitted as a counterpart and as a ransom for the demanded supplementary appropriations. This cloud of dust of the annulments seems to be made for the purpose of blinding the Chambers with regard to the real extent of the increases. It would be much better not to crumble up the annulments like this and to present them *en bloc*," unless, it goes without saying, there is a complete correlation between the abolished appropriation and the newly demanded appropriation.

² The annulments in the course of the fiscal period amount at times to half of the annulments at the time of the regulation of the fiscal period. The following retrospective table shows the above contention:

Fiscal Periods	Annulments		Totals
	In the course of the fiscal period	At the time of the regulation	
1890	29	68	97,000,000 francs
1891	30	66	96,000,000 "
1892	32	46	78,000,000 "
1897	20	56	76,000,000 "

³ The article "annulments" in the *Dictionnaire des finances* states that this proportion was on the average 2.47 per cent under the Mon-

ADDITIONAL APPROPRIATIONS

tions during the same time often go up as high as 5 per cent. of the grand total. Why do the original estimates always fall short with regard to increases rather than to reductions? Do not the estimated endowments for each chapter have almost as good a chance to exceed the needs as to be insufficient, when the actual expenditures amount to over 4,000,000,000? Unfortunately, as we have said,¹ the administrations, bent on exhausting their appropriations, are little inclined to make annulments, but on the contrary seek additional appropriations. Some day a stricter control may succeed in saving, for the benefit of the equilibrium of the budget, the excessive appropriations of which it is now deprived.

RESULTS OF THE REGULATION OF ADDITIONAL APPROPRIATIONS

If the laws of 1871 and of 1879 performed a real service by putting the authorization of additional appropriations in the hands of the legislature, did they at the same time perform effective work? This brings up the question as to whether the Chambers wisely use their powers. As their rights cannot be contested, the wisdom of the Chambers becomes only a contingent matter. Regardless of the results obtained, the principles of the laws of 1871 and of 1879 will always preserve their authority.

The
Stewardship
of the
Legislature

Several periods must be distinguished since 1871. First, that to 1878, which we shall disregard. Then comes the period from 1879 to 1886, remarkable for its heavy increases. A table of additional appropriations (without subtracting the annulments)² is sufficient to show the above contention.

	Original Budgets	Additional Appropriations
1879	2,700,000,000	251,000,000
1880	2,750,000,000	147,000,000
1881	2,763,000,000	270,000,000

archy of July, 2.09 per cent from 1848 to 1851 and 1.88 per cent from 1852 to 1869.

¹ The complementary period of the fiscal period supplies them with means. See Chapters V and XXVI.

² These statistical figures are taken from the report of the commission on finances of the Senate, of March 21, 1888. They were also printed in the *Bulletin de statistique du ministère des finances* (issue for the month of April, 1888).

THE BUDGET

	Original Budgets	Additional Appropriations
1882	2,854,000,000	239,000,000
1883	3,044,000,000	202,000,000
1884	3,025,000,000	170,000,000
1885	3,002,000,000	376,000,000

Thus, after the fiscal law was voted, new needs, extending beyond the original appropriations, appeared, involving amounts exceeding for one year 200,000,000, 250,000,000, 270,000,000 and going as high as 376,000,000 in 1885.¹ These transgressions have given rise to unanimous protests, which found an echo in the commissions on budget and which soon brought about a wholesome reaction.

Better
Results

In the period from 1887 to 1892, the additional appropriations were considerable, but less than those of earlier years; the annulments, therefore, began to equal and even to exceed them; this is the logical situation which we extolled above. The statistical figures ² are quite eloquent in this connection :

Fiscal Periods	Additional Appropriations Francs	Annulments Francs
1887	58,000,000	62,000,000
1888	92,000,000	100,000,000
1889	76,000,000	88,000,000
1890	86,000,000	97,000,000

Possibilities
of Re-
trenchment

Thus, where the determination was present, the additional appropriations decreased for several years in succession; they became less than the total of annulments, leaving the figures of the original budget intact, as a whole.

“This table shows that as soon as the legislature and the Government resolved on retrenchment, the supplementary appropriations decreased. During the four years, 1887 to 1890 inclusive, corresponding to the re-

¹ One of the principal causes of the enormous figure of supplementary appropriations in 1885 is the expedition to Tonkin which, financed from day to day, demanded in succession very considerable supplements in the course of the fiscal period. In 1883 and 1884 the campaign in Madagascar, the occupation of Tunis and the beginning of the occupation of Tonkin exercised an analogous influence upon the supplementary appropriations.

² These figures are taken from the report relating to the budget for the fiscal period 1896. (Chamber of Deputies, October 28, 1895.)

ADDITIONAL APPROPRIATIONS

trenchment period, the annulments exceeded the supplementary appropriations. After 1891, the reverse situation obtained. . . .”

Thus the evil reappeared.¹

Fiscal Period	Additional Appropriations	Annulments
1900	160,939,000	50,551,000
1901	144,654,000	57,978,000
1905	113,151,000	73,482,000
1909	211,009,000	65,687,000
1910	218,950,000	118,911,000
1911	205,355,000	

This disquieting return of additional appropriations is alarming, not only because of its totals, but because of the abuses shown by the details furnished by the statements and reports.

Let us cite as an example a building “in the most deplorable condition; the water has penetrated into the large room and has decayed a part of the wainscoting; the plastering and the brickwork are damaged; the gutters and the sheet iron blinds are corroded; the water pipes are broken. . . .” Immediately the question arises as to how it happened that such long-standing and considerable deterioration was discovered so suddenly in the course of the fiscal period? How was it possible that it should have gone unnoticed so long? In a word, is it not probable that the original budget was in a position to anticipate the necessity of such repairs? In the same way, the Ministry of Justice suddenly discovers that “its floors are sunk in, that the main shafts of its chimneys are cracked and threatening the buildings with the danger of fire, etc.” (Plan of December 8, 1889), and urges an additional appropriation. In 1907, the Ministers of Public Instruction, of Foreign Affairs and of the Interior claimed that their “heating apparatus presents a permanent danger to the security of the building and the health of the officials, that the roofing leaks and that the wooden boards of the roof are partly decayed and show alarming depressions, and the chimney shafts are almost im-

Some Illustrations of Abuses

¹ These figures are taken from the report of Senator Raymond Poincaré of November 21, 1907, from the statement of supporting arguments of the budget for 1913 and from the general financial account.

THE BUDGET

Deception in Practice

possible to use, etc.”; all these things, strange to say, were unknown, in spite of their gravity and their long existence, at the time of preparing the original budget.

The administration of the posts also pretended to have overlooked, while preparing the budget for 1893, that a general election set by the Constitution was to take place that year. At the last moment, therefore, it demanded a supplementary appropriation of 682,000 francs for the customary increase of work of its agents during this period, which increase occurs at intervals provided for by the constitution.

In 1903, the Senator reporting on the budget stated that “*no unforeseen event*—except the Martinique disaster, which required an appropriation of only a little over 3,000,000—had occurred in 1902. New suggestions, however, brought the figure of supplements for this fiscal period to 92,273,000 francs.” Regularly each year, supplementary appropriations are demanded by the ministry of foreign affairs for expenditures on telegraphic correspondence; this is a deep-rooted evil against which the commissions on budget protested in vain. The same is the case with the expense of establishing new diplomatic and consular agencies.¹ A commission has been charged with devising a plan to correct these abuses, which in the meantime are not abandoned.

The purchase and transportation of tobacco, the remittances to holders of collectorships, the premiums to silk-worm growers, the remittances to officers of the town-dues, the transportation of convicts, etc.—all expenditures, the nature of which we have explained under the heading of estimated appropriations, seem to be intentionally reduced in the original budget estimates below their probable amount and must necessarily come back again and again in the memoranda for additional appropriations. “It is impossible to refuse the payment of debts which are due by virtue of existing laws, which sums constitute salaries or reimbursements to creditors.”

¹ “The administration of foreign affairs seems to have acquired the habit of considering the supplementary appropriations as a normal resource. . . . This administration submits to reductions of its budgetary appropriations without opposing such action save by mild protests, because in order to get out of trouble it may have recourse to supplementary appropriations, which, as a rule, are submitted to a less rigid examination.” (Report of the commission on budget, Chamber of Deputies, July 11, 1889.)

ADDITIONAL APPROPRIATIONS

The administration of forests in former times regularly submitted in its original plans a figure for *contributions to domanial forests* less than the real total, being perfectly sure that the supplement necessary for the salary of the collector would not be refused. (Session of March 28, 1889.)

In 1890, at the time of the enlargement of the Conservatory of Arts and Crafts, a supplementary appropriation of 606,190 francs was demanded:

Deliberate
Delays and
Deceptions

"The necessity for the expenditure had been known since 1886. The Executive should have demanded the entering of this expenditure in the ordinary budgets. By failing to do this, the Government barred the way to subsequent additional appropriations. . . . The commission does not hesitate to suggest the rejection of this demand as an additional appropriation." (Report to the Senate of June 24, 1890.) For a long while the original budget of the Navy was "only a skeleton, which was completely disfigured by supplementary appropriations and annulments; at the end of the fiscal period, this skeleton budget could no longer be recognized." (Session of the Senate of December 20, 1893.)

• We could multiply these citations, which unfortunately are numerous.¹ The Minister of Finance did not hesitate to declare, because of the urgent complaints emanating from the commission on budget:²

Admission
of Abuses

"There are some financial practices which you are quite right in condemning, and which the commission on

¹ Let us add, in order to excuse our Government to a certain extent, that these irregularities have been more or less practiced at all times. We see them pointed out even under the Restoration. (See particularly the report of Count Daru to the *Chambre des Pairs*, relating to the regulation of the budget for 1826, July 23, 1828, pages 38 and following. Only, as we have said above, it is a question of these irregularities occurring more or less.

² The only reassuring feature of the actual situation lies precisely in the vigilance continuously manifested by the commissions on budget. In the rigor of the control by the commissions on budget lies the only obstacle to the tide of additional appropriations. The Minister of Finance, however, is enabled by his personal authority, by his *ferocity* if he is not afraid to show it, to oppose additional appropriations at their very source, which is a very efficacious way, as was seen from 1887 to 1890.

THE BUDGET

finances is in duty bound to condemn; I would add further that it is the duty of the Minister of Finance to stop these practices. . . . Most regrettable irregularities have been committed. . . . We are trying to prevent their being renewed . . . because they are real abuses."

This review of the progress of additional appropriations, from the passing of the new laws of 1871 and 1879, shows what use the legislature can make of its sovereign authority. After having at first yielded to the temptation, it almost reformed, only to fall back into its old error and to free itself again. All depends on the wisdom of the legislature; experience, however, shows that this wisdom, like that of a human being, is uncertain and subject to lapses followed by wholesome revivals.

Responsi-
bility
Fixed

The supreme authority of the representatives of the country certainly does not constitute an ultimate or even an immediate remedy. But it places the responsibility on the right parties. If, in the plenitude of its power, the legislature makes a mistake, it, at least, has the right to make a mistake; and all things considered, it may safely be said that the legislature is likely to make smaller blunders than the Executive, in case the latter were left alone.

ADDITIONAL APPROPRIATIONS IN FOREIGN COUNTRIES

Italian
Experience
Satisfactory

In Italy—with the corrective budget, including, as we know, all the supplements which become necessary in the middle of the fiscal period—only now and again is resort had to additional appropriations. The original Italian budget includes special chapters for unforeseen expenditures, one of which is called "reserve fund for obligatory and routine expenditures," another, "reserve fund for unforeseen expenditures." (Article 38 of the law of 1884.) The deductions from the first chapter concern the "obligatory and routine" expenditures, a list of which is attached to the annual budget law and which can be made regular by a simple decision of the Minister of the Treasury, registered with the *Cour des Comptes*. The deductions from the second chapter, for "unforeseen expenditures," are operated by means of royal decrees, which are discussed by the Cabinet at the suggestion of the Minister of the Treasury; they are then registered with the *Cour des*

ADDITIONAL APPROPRIATIONS

Comptes and published in the *Journal officiel*. When in session, the legislature alone authorizes these deductions.

In Belgium, the additional appropriations appear either in the course of the fiscal period or in the law of regulation and have the name of complementary appropriations. M. Graux, former Minister of Finance, in the Liberal Cabinet acknowledged that from 1878 to 1884, during his incumbency, the average of these complementary appropriations under his leadership had amounted to 8,000,000 francs. (Belgian Senate, session of April 27, 1888.) These 8,000,000 represented a little less than three per cent. of the total budget of about 300,000,000. The Minister of Finance in 1883 said: "The lesson resulting from a recurring experience is, that no matter what is done, supplementary appropriations are always necessary. As a consequence, this eventuality should be taken into account when the estimates of revenues are made." (Statement of the Minister of Finance, February 2, 1883.) For several years, however, these supplements have shown a tendency to disappear. The Minister of Finance, M. Beernaert, said:

Satisfactory Results in Belgium

"The fiscal period of 1886 has been encumbered with expenditures, some exceptional and some new. There were also heavy military expenditures, necessitated by the sad events of March, 1886. *In spite of these new expenditures, we not only did not ask for supplementary appropriations, but the unexpended appropriations to be returned to the Treasury will reach the considerable sum of 5,420,699 francs.*" (Chamber of Representatives, session of November 9, 1887.)

Later M. Beernaert confirmed these data. "The fiscal periods—1885, 1886 and 1887—instead of compelling us to demand supplementary appropriations as was predicted by the Left, after all accounts were settled, left a surplus of almost 5,000,000 per year to be returned to the Treasury." (Senate, April 27, 1888.)¹

It cannot be said, therefore, that supplementary appropriations completely disappeared in Belgium; they were only held back. The State railways demand and will probably always

Railroads Upset Calculations

¹ See on the subject of the precision of estimates in Belgium the statistical tables published in the *Bulletin du ministère des finances*, June, 1889.

THE BUDGET

Experience
in Prussia

demand some increases in the course of the fiscal period on account of the uncertainty inherent in their annual traffic; this is to leave out of count public works, public instruction, etc.¹

In the same way, the railroads of Prussia cannot fail to call for additional appropriations, particularly if their operating costs are added to expenditures for construction, as was the case in April, 1889, when a plan to enlarge the system, to build stations, storehouses, etc.—amounting to 187,500,000 francs—formed the supplementary budget for the fiscal period.

The German Empire avoids this plague as much as possible. For the fiscal period 1908-1909, the statement of the Secretary of the Treasury, M. Stengel, referring to the results of the preceding fiscal period, was in position to state:

“The Army and the Navy, which in former times were included within the limits of the budget, have shown this year only very unimportant violations of their respective appropriations. The other administrations have tried to keep within their appropriations. . . . The only exceptions are with regard to the public debt, because of an issue of Treasury bonds; and the post, the operating expenses of which have increased.”

Russian
Experience
Unsatisfactory

In Russia, where parliamentary initiative could not hitherto be blamed for having exercised sinister influences, the supplementary appropriations for a long time have reached proportions which the Executive denounced as regrettable. The Comptroller General presented the following list of supplementary appropriations in his annual report under the title, *Supplementary appropriations after subtraction of expenditures relating to the war in the East:*”

1876	21,616,000 roubles
1879	38,657,000 “
1880	56,200,000 “
1885	34,700,000 “
1887	49,601,000 “

¹ Thus the plan for supplementary appropriations of December 12, 1899, amounted in Belgium to 17,227,000 francs, 7,000,000 of which were allotted to the ministry of war, 8,041,000 to the railroads, etc. In 1903 the plan of July 7 suggested the making of 10,723,000 francs of supplementary appropriations for ten ministries or branches of the service. In 1905 the plan of May 12, 1905, contained 7,742,000 francs of supplementary appropriations, etc.

ADDITIONAL APPROPRIATIONS

In 1890, the Minister of Finance declared: "In accordance with the will of Your Imperial Majesty, no expenditures outside of the budget shall be admitted, and as a result thereof the total of the appropriations of the budget shall not be exceeded." (Report of M. de Wischnegradsky, Minister of Finance to the Tsar, January 10, 1890.) The summary of the fiscal period, 1889, had already shown the exceptional fact that the expenditures were 3,074,000 roubles less than the estimates; no extraordinary appropriation had been made during the year, without there having resulted a corresponding economy. The settlement of one of the last fiscal periods showed a surplus of 9,974,487 roubles over the estimated expenditures; the Comptroller of the Empire hastened to explain that "this discrepancy between the disbursed expenditures and the budgetary estimates merely indicated that the Imperial Treasury had not for a moment lost sight of its purpose to keep within the appropriations of the fiscal law." For the fiscal period, 1903, the last one closed prior to the Russo-Japanese War, the expenditures of the ordinary budget, estimated at 5,000,000,000 francs, reached the sum of 5,008,000,000, an insignificant increase of 0.16 per cent. A thing not to be forgotten is, that the vote by the legislature did not exist in Russia at these different dates, and that the Government had the power to grant itself large original appropriations. [The recent cataclysmic revolution in Russia will doubtless call into existence a new financial régime.]

Some
Cases in
Point

English
Estimates
Exact

In England, until the South African War, the budgetary supremacy of Parliament had produced an effective resistance against additional appropriations; this resistance is inherent in the budgetary supremacy of Parliament. This is emphasized, for the English administrations on their own behalf use the most painstaking care to prepare the Estimates so that they will not be contradicted by the facts [as developed while they are under discussion]. "The administrations entrusted with preparing the English *Estimates* consider it a particular honor to have estimated accurately," reported a French inspector, sent on a mission to England. In France, on the contrary [where the estimates are prepared so long in advance], the administrations are often proud of their ability to do the opposite thing. Correlatively with the above, the English Chambers regard with impatience and even with distemper any changes made subsequently in the *Estimates*. In an article

THE BUDGET

Supple-
mentary
Estimates

in the *Dictionnaire de la politique*, devoted to the English budget, Sir Stafford Northcote,¹ former Chancellor of the Exchequer, says: "The principle underlying the *appropriation act* is that no more funds can be allotted to a particular operation than are specified in the vote relating to it." As we see, there is a tendency to respect the original figures as much as possible. Supplementary needs, however, cannot be avoided. How are they regulated and what is their importance?

Votes of
Credits

When needs of urgent and exceptional nature arise for the Army and for the Navy, the English accounting provides for them by means of either *supplementary estimates* or *votes of credits*. Each of these systems is put in practice, according to the circumstances. If the Estimates relating to military affairs turn out to be close to the facts, in order that it may be possible to calculate the expenditures in its details and its subdivisions by chapter, the *supplementary estimates* are preferred. If, on the contrary, the nature of the enterprise or the time which must elapse between the estimating and the making of the expenditure leaves its repartition by chapter in doubt, a single appropriation is granted under a *vote of credit*.² The principle of accountability, as applied in England, attaches much importance to the distinction between the

¹ Sir Stafford Northcote remarks, however, that until 1862 the right of making transfers from one chapter to another existed within certain limits. In 1862 this possibility of making transfers was abolished. The Government still has the right to use the surpluses of certain chapters in urgent cases in order to provide for unforeseen expenditures, but then the Government acts on its own responsibility and its initiative must be backed up by the voting of an indemnity bill. Thus, in 1885, when the Government in the month of April demanded several large supplementary appropriations, one for the expedition to the Soudan, another for preparations for a war with Russia and a third for various purposes, Mr. Childers, Chancellor of the Exchequer, admitted in the course of the discussion that because of the urgency more than half of the total demanded sum had been already incurred or disbursed. The carrying forward of appropriations from one year to the next is at present forbidden for the same reason as are the transfers.

² These votes are *confidence votes*, as Sir Stafford Northcote truly said in his article. "In order to meet extraordinary and urgent expenditures of the war, it is customary to pass a confidence vote for several millions of pound sterling which cannot be used for any other purpose. But besides these confidence votes," adds the eminent author, "if needs for funds manifest themselves, Parliament should be convened and a demand for supplementary appropriations be submitted to it."

ADDITIONAL APPROPRIATIONS

two systems¹—attempts having been made to limit the *votes of credit* to exceptional events.² Thus, in 1872, with regard

¹ The *supplementary estimates* and the *votes of credit* have been defined and described as follows in the reports of the committee on *public accounts*: ‘Your committee has come to the conclusion that in all cases of a special operation, when the administrative department is able to furnish a sincere and definite estimate of the operation and of all the principal chapters to which the expenditure shall relate, it is desirable that a “*supplementary estimate*” be suggested and that “*votes of credit*” be reserved for circumstances in which it becomes very difficult, if not impossible, to give a sufficiently approximate estimate of the anticipated needs and, as a consequence, it is preferable to await the materializing of facts. The *vote of credit*, as has already been said, is not divided into sub-chapters, but they do not apply to any special department. Thus, although the Treasury decided, in conformity with the recommendations of the committee of public accounts of 1879 that, regardless of the extent of the *vote of credit* only amounts actually and directly disbursed by the departments for the purpose, for which this *vote of credit* had been voted, be charged against the latter, the authorities of the department of the army and of the admiralty always had the greatest difficulty in conforming with this decision.’

‘As far as the *supplementary estimates* are concerned, they are divided into sub-chapters and therefore give much more precise information to Parliament. The Treasury controls, in a more extended way, the operations of the administrative departments after the operation has been carried out, and no transfer of appropriations from one sub-chapter to another can take place without the Treasury’s authorization.

‘At the same time, it is necessary, that the total of the estimate of every extraordinary operation be clearly exposed to Parliament and your committee expressed the opinion that the system of *supplementary estimates*, more valuable for the security of the control and of the giving of accounts, shall be made to agree with the obligation, always to present to Parliament a complete view of the best possible estimate of the total of the expenditure of the extraordinary operation.’ (*Handbook to the reports from the committees of public accounts*, March, 1888.)

² Although exceptional because of their nature, these events are none the less frequent in the history of England; the war in China, the Crimean war, the Indian Mutiny, the events of 1870-1871, the war in Abyssinia, the South African expedition, the Afghanistan affair, the danger of war with Russia, the occupation of Egypt, etc. *Votes of credit* were specially made for the following purposes:

Ashantee War	1874	20,000,000	francs
Ashantee War	1875	3,120,000	"
Ashantee War	1877	50,000	"
Russo-Turkish War	1878	87,500,000	"
Military Operations	1886	236,275,000	"
Transvaal War	1899-1900 and the following years,		
the figures of which are given later.			

THE BUDGET

to the costs of the Abyssinian war and the preparations for war in Europe, the committee on public accounts brought up the question whether it would not be useful to decide that in future the *votes of credit* should have effect only for the current year. This measure was introduced in 1873-1874, when the appropriations for the Ashantee expedition were voted.

Summer
and
Spring
Supple-
ments

The *supplementary estimates*, the only ones in force in normal times, apply to all the civil and military services. There are summer supplements and spring supplements, the former demanded before the end of the ordinary session, that is, about the month of August, the latter corresponding to the needs revealed customarily about February or March, by the last months of the fiscal year; both are discussed under the same conditions as the fiscal laws, and are voted by the committees of the entire House, then at a general session. The speakers for the Executive use particularly strong arguments, for the reason that additional appropriations are less readily granted than original appropriations.¹

Average
Additional
Appropriations

The average amount of additional appropriations can be approximately estimated at 19,000,000 for the civil services, and 25,000,000 for the Army and the Navy, a total of 40,000,000 francs. Often, however, the situation is more satisfactory. During the year 1887-1888, for example, the estimates of the original budget were not even reached and the Army and the Navy claimed no additional appropriations, a particularly rare occurrence. The Chancellor of the Exchequer developed this fact in his statement, with a certain degree of pride.

“The Army and the Navy,” he said, “have not *exhausted the funds put at their disposal and have not required supplementary appropriations*. It is for the first time since 1870 that these branches of the service have succeeded in avoiding additional expenditures, which up-

¹ The rules relating to the form of presenting and rendering an account of the *supplementary estimates* refer to the following main points:

Indication of chapters and sub-chapters to which the appropriations apply; special references to be given in footnotes; telegrams to be transmitted in proper time with regard to expenditures made abroad and exceeding the appropriations, so that a supplement may be immediately demanded; in case the expenditure is dependent on a revenue, the supplement may be demanded only for the balance; details and sub-divisions which the *appropriation accounts* must contain with regard to supplementary appropriations.

ADDITIONAL APPROPRIATIONS

set the ministerial estimates and bring confusion into the budgetary economy." (Financial statement of Mr. Goschen, March 26, 1888.)

In 1888-1889 a supplementary appropriation was made to the amount of 10,500,000 francs; but the expenditures actually disbursed at the end of the budget period being less by 43,-950,000 francs than the Estimates, this surplus covered and more than covered the supplements originally allotted. (Statement of the Chancellor of the Exchequer, April 15, 1889.) In 1889-1890, the payments disbursed on account of anticipated expenditures did not exceed 2,000,000 francs. (Statement of April 17, 1890.) In 1890-1891, a demand for supplementary appropriations to the amount of 12,123,000 francs was submitted on February 20, 1891, for the benefit of the civil services; but the net increase over the original estimates did not amount to more than 8,900,000 francs, or to less than one-half of one per cent. of the totals. (Statement of the Chancellor of the Exchequer of April 23, 1891.)

In 1892, Mr. Goschen thus summed up the results of the year 1891-1892: "24,900,000 francs of annulments of appropriations and 16,500,000 francs of supplementary appropriations: balance a surplus of 8,400,000 francs"; at the same time he commented on the ability of the English administration to maintain "harmony, as far as public expenditures are concerned, between the Estimates and the ascertained facts. For the last three fiscal periods, the discrepancy has been reduced to 3,425,000 francs, against the total sum of 6,600,000,000 francs." (Statement of April 11, 1892.)

Mr. Gos-
chen's
Statement

Since 1900, however, *votes of credit* relating to the war in the Transvaal have considerably changed the budgetary Estimates. From 1900 to 1904, the supplements voted by the Parliament of Great Britain, beyond the original appropriations, ran as follows:

Effects
of Boer
War

1899-1900	593,000,000 francs
1900-1901	858,000,000 "
1901-1902	313,000,000 "
1902-1903	250,000,000 "
1903-1904	115,000,000 "

The average of 40,000,000 was thus transferred into supplements of 600,000,000 and 800,000,000 during those troublesome years. But once the crisis had passed, perfect order was

THE BUDGET

Normal
Conditions
Restored

reëstablished. For the year 1904-1905, the supplementary appropriations fell below even the modest level of former times. Thus, the Chancellor of the Exchequer could say in his financial statement of April 10, 1905: "Including several insignificant supplementary appropriations voted in the course of the present session, the disbursed expenditures only reach the amount of 3,550,000,000, or 23,100,000 *francs* under the *Estimates*." In the same way, in 1906-1907, the definite surplus of 135,000,000 resulted, not only from surpluses of revenues, but also from a 75,000,000 decrease in anticipated expenditures, a situation rarely found elsewhere. The statement of Mr. Asquith of May 7, 1908, also announced a saving on the Estimates of expenditures for 1907-1908, amounting to 17,250,000 francs. According to the statement of April 2, 1912, the total of expenditures disbursed in 1911-1912 is still 68,500,000 francs less than the voted expenditures.

In July, 1912, however, a supplementary appropriation of 24,950,000 francs for 1912-1913 for the Navy was submitted and voted. This exceptional event, however, caused a great outcry and heated discussions.

The retrospective schedules distributed in the House of Commons prove also that surpluses realized over expenditures are customary in England; the *final results* are nearly always less than the *original Estimates*.

Reasons
for
English
Accuracy

The causes of this extraordinary situation have already been explained. First, the figures of budgetary Estimates in England are established on a date very close to the opening of the fiscal period; in the majority of cases even in the course of the fiscal period proper, which gives to the Estimates almost definite precision. In the second place, the Treasury, that is, the Minister of Finance, revises with a predominating authority all the estimates of expenditures and thus gives them a definiteness which carries them intact through the period of the execution of the budget. In the third place, the parliamentary initiative automatically throttles every suggestion likely to disarrange the equilibrium of the budget, thus curbing the temptations to create supplementary expenditures. In spite of signs of weakness now manifesting themselves, this measure still retains a wholesome influence.

Thus Parliament, which has been praised at different times in the course of the preceding chapters, succeeds effectively in overcoming in practice the most formidable enemy of the budgets, viz.: additional appropriations.

CHAPTER XVIII

REFUSAL TO VOTE THE BUDGET

Consequences of Refusal to Vote; Budget Authorized for One Year Only; Failure to Vote—Revolution; Questioned Under Restoration; A Right of the Legislature.

Attempts at Refusing to Vote the Budget: Instances in England; The Pitt-Fox Struggle; The Rôle of the King; Triumph of Pitt; Harmonious Course of the Commons; German Experience.

Attempts at Refusing to Vote the Budget in France: The Struggle of 1877; The Executive Yielded; Minority Refusal to Vote; The Observations of Say.

We have assumed, hitherto, that the legislature voted the budget, as is fortunately and customarily the case. It may happen, however, that the Chambers voluntarily abstain from voting or that they intentionally refuse to grant the Executive the authority to collect taxes and to disburse expenditures.

To refuse to vote the budget! One can scarcely conceive the consequences of such an eventuality. [Under a system such as prevails in France], if the year were to open without the budget having been voted, the bondholders could not get their interest; nor the pensioners their pensions; the tradesmen would beat in vain at the gates of the Treasury; the officials would work without salaries; the schools would be closed; the Army would be deprived of its pay, of its livelihood, of its equipment, of its provisions. All the functionaries of the State, that is to say practically everybody, would find himself affected; the activities of the country would be paralyzed.

Consequences of
Refusal
to Vote

Taxes, furthermore, are no longer collectable and the sudden interruption of payments not only immediately impoverishes the Treasury, but its effects are prolonged beyond the period; the frontiers are no longer guarded, the gates of the cities are abandoned, bonded warehouses are deprived of inspectors, hence importers, wholesale dealers, truckmen, innkeepers, etc., and all the dealers in products subject to customs duties and taxation, immediately flood the country with tobacco, coffee, sugar, liquors, etc., free of duty. The immense administrative machine, which hitherto had in its grip every

THE BUDGET

Budget
Authorized
for One
Year
Only

taxable thing, lets its prey escape. Smuggling, in a short space, can embarrass the public revenues for a long period.¹

Nothing is exaggerated in this hypothetical description;² it is sufficient to read the legislative texts in order to see that neither expenditures nor revenues could exist without the vote of the budget. First, the expenditures are authorized by the fiscal law for a single year. This term of the year having expired, those who issue payment vouchers have no longer any authority to do so, nor can disbursing agents make further disbursements. So far as the revenues are concerned, it would be folly to pretend that the original laws imposing taxes are continuous in their operation; the authorization to collect taxes is essentially annual [in France], as we have previously explained. The fiscal mechanism is set in motion each year only by virtue of a new authorization. Moreover, the final article of the fiscal laws³ imposes penalties on tax collectors for collecting unauthorized taxes—penalties, such as none would dare to incur.

Failure to
Vote—
Revolution

If the budget were not voted, it would be just as impossible, after January 1, to find tax collectors as it would be to find disbursing agents. The treasuries would be closed both to incoming and to outgoing public funds. What was legal would become illegal overnight. The suspension of the execution of the budget would constitute a revolution. "Do you know, gentlemen, what it means to refuse the budget? Revolution." (December 10, 1888.)

Thus, at the beginning of the Restoration, when the respective rights of the legislature and of the Crown were under discussion, the question was brought up as to whether the Chamber of Deputies really had the extraordinary and revolutionary power to refuse to vote the budget. Several speak-

¹ It was possible to estimate in 1871 in the invaded *départements* the prolonged effects of the suspension of the collections, although the French as well as the German Administration made all efforts to reestablish it rapidly.

² The same picture was presented to the Chamber of Deputies by a former Minister of Finance: "The moment the budget is refused, the debt is no longer paid; beginning with January 1, the public officials no longer receive their salaries, the schools are closed, the clergymen of the various denominations do not receive their salaries, and the forces intended for national defense, the Army and the Navy, would not receive pay beginning with January 1." (Speech of Deputy Maurice Rouvier, December 10, 1888.)

³ This final article of the annual budget law has been commented on and cited in Chapter XI.

REFUSAL TO VOTE THE BUDGET

ers contested it, maintaining that the representatives of the country, convened precisely for the purpose of voting the budget, could not, without failing in their duty, refuse to vote it. M. de Bonald exclaimed: "A political assembly has no more right to refuse to vote the budget than a man has to take his own life." (Session of March 22, 1816.)

Questioned
Under
Restoration

"It was the overriding of the budget," said another deputy, "which brought Charles I to the scaffold; it was the refusing of the budget which brought Louis XVI to the same place; it was the disregard of the budget which compelled Charles II to become a hireling of Louis XIV, and thus prepared the revolution of 1688. Failure to vote the budget has always been the sign of political unrest and of the greatest disasters. The Chamber of Deputies has no right to provoke such disorders." (Speech of Viscount de Saint-Chamans, 1817.)¹

Yes, unquestionably, the refusal to vote the budget would bring about all these disastrous consequences. It would be almost suicidal; it would lead to political disorganization—the prelude to great public disasters. The legislature, nevertheless, is armed with this dangerous weapon. If the right to vote public revenues and expenditures rests with the representatives of the country, it follows necessarily that they have the right to refuse to vote them. The right to authorize could not possibly exist without its logical counterpart, the right to refuse. The one without the other would lose value and meaning.²

A Right
of the
Legisla-
ture

However, even if theoretically conforming to the spirit and text of the constitutions,³ it must be said that in practice the

¹ It has been said more recently, in 1877, in the course of the conflict of which we shall speak later: "When confronted by a Chamber which refuses to vote the budget, we are returning to the natural state."

² It must be remembered that under the Restoration, that is, at the time when the right of Parliament to refuse to vote the budget was contested, the Parliament's right to vote public expenditures was, by logical correlation, contested as well. See Chapter II.

³ "The Chamber," says an eminent commentator on the Constitutions, "may be compelled under certain circumstances to intrench behind its right, which the Constitution recognizes." (Speech of Edouard Laboulaye in the Senate, on December 18, 1877, on the subject of the refusal to vote the budget.)

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exercise of the right to refuse the budget is almost unthinkable. Experience does not furnish a modern example—in the countries having a parliamentary form of government—of a fiscal year opening without a budget. Legislative bodies, therefore, as history shows, use the right of refusing to vote the budget only as a threat.

ATTEMPTS AT REFUSING TO VOTE THE BUDGET IN ENGLAND AND IN GERMANY

Instances
in Eng-
land

The first chapter of this book shows how the Parliament in England, under different circumstances, refused subsidies to the Stuarts, who blundered in disregarding those acts.¹ These abuses of power did not again occur. If, after the events of 1688, the question of refusing to vote the budget has been occasionally raised, and, if conflicts have threatened, a solution has always been found in time to open the fiscal year with the necessary authorizations for revenues and expenditures. The work of Sir Erskine May, *The Constitutional History of England*, already quoted, gives one by one the various instances and their timely solution.

Thus, in 1781, Thomas Pitt² suggested a delay of several days before voting the subsidies in order to wrest from Lord North a promise relating to the war with America. The Commons, however, stating that *no such suggestion had been made since the Revolution*—rejected by a large majority the plan of a temporary refusal to vote the budget.

The Pitt-
Fox
Struggle

In 1784, the attitude of King George III—who personally defended against the Commons the Ministry of William Pitt, who was only twenty-four years of age—caused several attempts at refusal to vote the budget. The Opposition, under the leadership of Fox, who at that time had already begun his struggle against Pitt—which was to be prolonged until their deaths³—obtained from the Commons the adjournment of the vote on subsidies on five or six occasions. Fox said:

¹ As under the Stuarts, the proper and permanent revenues of the king could in a pinch suffice in normal times to meet the public expenditures, the subsidies allotted by Parliament represented only extraordinary funds, the refusal of which could not therefore bring about the immense administrative disorganization described above.

² Nephew of Lord Chatham, known under the name of Lord Camelford.

³ Both Pitt and Fox died in the beginning of 1806.

REFUSAL TO VOTE THE BUDGET

"It cannot be contested that the Constitution gives to the House the right to refuse the funds; but this is a weapon which the House must use with caution and only when the public cause imperatively demands such action. I shall always uphold this right. . . . This is a struggle between the prerogatives of the Crown and the prerogatives of [representatives of] the people. The Chamber should use all the means within its powers to defend these privileges; this is a duty which the Constitution imposes upon the House. To withhold the demanded funds is the most powerful of all weapons, and must, I admit, be used in the last resort. If the ministers should persist in their obstinacy and push things to the extreme, it would be perfectly proper to use this right which makes the distinction between a free people and the slaves of an absolute monarchy." (Session of the House of Commons, of February 20, 1784.)

The King was also obstinate in retaining a Cabinet, enjoying, as he said, his full confidence and which had not as yet had time to give proofs of its ability. The refusal of the House to vote the budget under these conditions might have had grave consequences; but Fox did not retreat, although, with his customary eloquence,¹ he concealed the danger from the eyes of his colleagues. Soon, however, the King succeeded in obtaining the vote of the *land tax*,² which was necessary for the payment of the interest on the debt. Then, the permanent resources of the Consolidated Fund permitted him to carry on

The Rôle
of the
King

¹ On another occasion Fox concealed his suggestion to refuse the subsidies under the pretext of a simple demand for delays necessary for consideration: "I beg of the Chamber not to see in my suggestion any desire to refuse the demands for money: I know that the thing is essential and nobody would be more afraid than I to oppose himself to the general welfare. But who would be to blame, in such a case, if not those who dare to resist the majority of the Chamber and to hold its decisions in contempt? The amazement which possesses me does not permit me to form any idea and I think that forty-eight hours cannot possibly jeopardize the public cause, particularly when such serious matters are involved." (February 18, 1784.) (*Collection of speeches of Fox and Pitt*, 12 Volumes, 1819.)

² At that period the *land tax* had not been consolidated and furnished the budget about 50,000,000 francs. Besides, the fiscal period then began in January; the opening date of the fiscal year was changed to April 1, in the middle of the nineteenth century. See Chapter IV.

Triumph
of Pitt

THE BUDGET

Harmoni-
ous Course
of the
Commons

the government from day to day for three months, until finally the growing influence of Pitt¹ over his colleagues succeeded in winning a majority of the Commons. After the subsidies had been voted, in total, on March 25, 1784, the House was immediately dissolved and new elections reorganized the cabinet.² Taking it all in all, no operation had been suspended.

Since then, the Commons have had no need to resort to extreme measures, even as a threat. "This weapon is rusting in the arsenal of the constitutional laws," said Sir Erskine May. The historian, whom we are following, states that during the entire period of the wars against France, the Parliament was in perfect accord with the Crown: "The House of Commons," he says, "liberally granted the sums which the Ministers declared necessary for the essential needs of the State. Not a soldier was retired from the ranks of the Army, not a sailor was cut off from the Navy, by vote of the Commons." With few exceptions, the annual budget plans were always voted without reduction.³ The fiscal disputes, if any, were concerned not with the sums necessary for the needs of the State, but with the form of the various taxes. This was the case with regard to the abolition of the *income tax* in 1816, and with the rejection of the proposition to double the tax on real estate in 1852. More recently, in June, 1885, the Gladstone cabinet was overthrown on account of a suggestion that taxes be collected on beer and liquor.⁴ However, as Chapter XIV stated, it was the House of Lords (and not the Com-

¹ The majority of the Opposition against Pitt melted as to the number of votes, until March 25, 1784, as follows: January 12, 54 votes; February 20, 20 votes; March 1, 12 votes; March 5, 9 votes; March 8, 1 vote.

² "It was not motives of prudence, or thoughts of moderation, which prevented the Whig Party from resorting to the terrible weapon of refusing subsidies. It was the impossibility of inducing the landed proprietors—the coöperation of whom was indispensable for assuring a majority to the opposition—to follow this road." (*Essai historique sur les deux Pitt*, by Baron de Viel Castel, two volumes, 1845.)

³ Sir Erskine May cites a certain number of exceptional cases in which the budgetary suggestions of the Government have undergone reductions which are remarkable for their slight importance: 1857, refusal to purchase an English chapel in Paris; 1858, abolishing of £308 of the salary of an agent of the National Gallery, etc.

⁴ The plans to increase indirect taxes were temporarily replaced by a deduction from the Sinking Fund, in conformity with the suggestions of Sir Michael Hicks-Beach, Chancellor of the Exchequer and successor in office to Mr. Childers. (Statement of July 9, 1885.)

REFUSAL TO VOTE THE BUDGET

mons) which, in 1909-1910 refused to approve the budget. The Government then, by various devices, succeeded in collecting the taxes and in paying the expenditures until the end of the crisis.

In Germany—even after the events which took place between 1862 and 1866 as related in the second chapter of this book, when the triumphant Government yielded to the Chamber—no example of refusing to vote the budget can be found. Moreover, the most important item among the expenditures, that for the Army, is voted for a period of several years.

German
Experience

ATTEMPTS AT REFUSING TO VOTE THE BUDGET IN FRANCE

Refusal to vote the budget would present itself to our eyes in the form of a hypothesis, deprived of all reality, at least in modern times, if it were not for the fact that recently grave circumstances have pretty nearly made such a possibility real.

As a result of the incidents of the famous May 16 [1877], against which political parties continue to inveigh, the question calmly studied in this connection becomes but a subject of impassioned comment. The statesmen, whom the chief of the executive power obstinately insisted on honoring with his confidence,¹ were confronted by a hostile parliamentary majority, but would not abandon their position in spite of this fact. Besides, December was near and with it the end of the year, with no budget voted for the following year. The Chamber had intentionally suspended the voting of the budget for 1878. The reports of the commission on budget were ready and submitted, but the Assembly refused to put them on the order of the day.

The Struggle of
1877

“We shall not abandon,” said the deputy reporting on the matter, “what constitutes the last resort, the last guarantee of free nations. We will not vote the four direct taxes,² except to a real parliamentary ministry.” (Report of the commission on budget by M. Jules Ferry, December 4, 1877.)

¹ The members of the cabinet in office on May 16 had already retired, but their successors continued their policies.

² The commission on budget refused even to detach from the general budget plans the portion relating to direct taxes, in spite of the necessity of submitting their repartition to the vote of the *Conseils Généraux* and of the *Conseils d'Arrondissement*, before the end of the year. Thus in 1878 the rolls of direct taxes were issued very late.

THE BUDGET

Thus, the field was thrown open for hypotheses and even for [armed] preparations, in view of the imminent crisis. The public as well as the Chambers figured with uneasiness the number of days still left of December, 1877. The strangest theories were expounded. The animosity of the opposing parties fully justified the anticipation of grave consequences.

“We shall not deliver our gold nor our offices, the products of our devotion,” exclaimed Gambetta, “until they yield to the mandate which was expressed on October 14. (Date of the last election.) We must know whether in France it is the Nation that rules, or, whether it is a man who commands.” (Session of the Deputies, December 4, 1877.)

The
Executive
Yielded

The Executive—confronted by this opposition—vainly studied and commented on the fiscal laws in order to discover some legal way of passing over the date of January 1, on its own resources; but, realizing that no tax collector would collect taxes and that no disbursing agent would pay even a penny out of his treasury, and that the laws and regulations were formal and mandatory—it resolved to yield. On December 15, 1877, a new cabinet was appointed from the ranks of the Majority. Immediately, at a single session, the Chamber voted the law of direct taxes, which had been held up—as well as the *douzièmes provisoires*, intended to provide for the carrying on of operations—until the fiscal law for 1878 was definitely enacted.

Even here, the refusal to vote the budget remained a simple threat, representing only the supreme right behind which the Chamber deemed it necessary to intrench, in order to bring the Executive to terms.

Minority
Refusal
to Vote

This is the last example to be cited. Each year there is a certain group of the Opposition which abstains from voting the fiscal law. But this is no longer a question of refusing to vote the budget. “We do not systematically refuse to vote the budget; but we are not going to vote any budget which we consider wrong” (Chamber of Deputies, July 5, 1889); this is the formula of the Minority. When some ten years ago several members of the Chamber succeeded one another on the floor before the final vote was passed, to explain the reasons for their refusal to vote the budget, one of the assistants exclaimed: “Then nobody is going to vote the

REFUSAL TO VOTE THE BUDGET

budget," which caused laughter in the assembly, for everybody was perfectly aware of the fact that in spite of a few protests, the fiscal law was not in jeopardy.

Jean-Baptiste Say wrote, with his customary vigor :

"Perfectly independent legislators, imbued with the feeling of the sanctity of their duties, should not be afraid to refuse to vote the budgets if the latter fail to give them the desired guarantees against abuses. Nothing is less surprising than the fact that individuals in power are of different opinion and that they fear such procedure likely to overturn the State . . . but that individuals, who take no part in the plunder, should consider this useful firmness a dangerous extremity, is a sign of weakness which protects extravagance and corruption and is an accomplice to the downfall of governments!" (*Cours d'économie politique*, 8th part.)

The Observations of Say

The eminent economist then states that, if, in the times of Louis XIV, a body of representatives had been able by means of refusing to vote the budget to present an obstacle to the wars and to the persecutions, France would not have fallen "into the degradation and misery which marred the end of that theatrical reign and the King himself would not have been overwhelmed with humiliations." But how could Louis XIV be asked to submit his resolutions and his budgets to the votes of a deliberative assembly? He would no longer have been king. Still, Jean-Baptiste Say is sound in urging that the legislative chambers insist upon their rights, even if they be pushed to the extreme. The safest way, however, because the application of this right is so potential of danger, is [for the Executive] to proceed in such manner as to keep the chambers from availing themselves of a right which is theirs to exercise.

PART III

EXECUTION OF THE BUDGET

CHAPTER XIX

THE COLLECTION OF REVENUES

The Collection of Revenues Authorized by the Fiscal Law: Direct Taxes; The Returns from Direct Taxes; Dual Nature of the Mechanism.

The Preparation of the Rolls: The Hierarchy; The Comptrollers; The Nature of the Rolls; The Tax Registers; Commission or Board of Equalization; Duties of the Comptroller; Complaints of Taxpayers; The Status of the Comptroller; The Departmental Inspectors; The Directors' Functions and Salaries.

Collection of Direct Taxes: Jurisdiction of the Collectors; Notice of Taxes Due; Notices to Individuals; Office Hours of the Collectors; Manner of Dealing with Delinquent Taxpayers; Forms of Notices; Mode of Exacting Penalties; Taxes Are Promptly Paid; The Auditing of the Rolls; Collectors Released; Collectors Pay in Certain Arrears; Close of the Fiscal Period; Heavy Responsibility of the Collectors.

From the befogged atmosphere of the legislative bodies where the fiscal law is devised, we enter the calmer sphere of the Executive. The legislative chambers have discussed, amended and revised the governmental plan; in their deliberations they have freely considered all phases of the problem; attempts have been made to follow the road of progress and it is not impossible that some progress has been made. Out of the noisy conflict of opinions finally emerges the law which is to be applied. The executive power, charged with applying this law, has only to travel a well-traced road: the work of the executive power involves only a quiet routine. The mechanism of the execution of the budget is limited to the collecting of money from the taxpayers, and to getting this money to the Central Treasury, only to scatter it again in a bountiful shower to the holders of vouchers (orders for pay-

THE BUDGET

ment), in conformity with perfected and very precise rules, which we shall examine under the following heads:

1. The collection of revenues authorized by the fiscal law [Chapters XIX, XX, XXI].
2. The concentration of revenues in the Treasury [Chapters XXII, XXIII].
3. The making of disbursements in conformity with appropriations [Chapters XXIV, XXV, XXVI].

THE COLLECTION OF REVENUES AUTHORIZED BY THE FISCAL LAW

A review of the mechanism for tax collecting¹ consists in showing the daily duties of each agent in the service; in showing what procedure he follows in collecting funds from the taxpayers; in showing upon what authority he depends, to what control he submits; in giving special attention to officials at the bottom of the service ladder, who are in closest contact with the public.

Direct taxes will be first described. Then follows a description of indirect taxes.

DIRECT TAXES

The Re-
turns
from
Direct
Taxes

The division of direct taxes includes real estate, taxes on improved and unimproved property, the tax on doors and windows, the personal and the personal property tax, license taxes, taxes on mines, mortmain (entailed property), billiards, clubs, horses and carriages, etc. These taxes yielded to the Treasury 616,000,000 francs,² to this it is necessary to add about 577,000,000 collected correlatively as *centimes additionnels*, for the benefit of the *départements* and municipalities. In a word, in that year more than 1,000,000,000 francs were collected and sent to the Treasury. The amount involved makes it worth while to have a scientific and stable system to control its collection.

The characteristic feature of the system is its duality, that

¹ The study of the nature of the various taxes fills a one year's course in the *Ecole des sciences politiques* and would fill one or more printed volumes. We assume, therefore, that the subject is well known and proceed at once to study the mechanism of the collection of these taxes.

² Budget of 1913.

THE COLLECTION OF REVENUES

is, the action of two distinct administrative divisions is involved; one has charge of determining the amounts of taxes to be imposed [assessment]; the other of making the collection.

Dual
Nature
of the
Mechanism

Many persons of good judgment consider it a great advantage to have a dual system for assessing and collecting taxes. As a matter of fact, responsibility becomes more effective by being better specialized. The organization, however, is very expensive. The budget must provide for paying a double set of officials, though possibly this is warranted by the results of better management; but even when all the elements are considered, the charges against the budget appear excessive. Thus, the tendency toward economy has brought suggestions of a reform,¹ the purpose being to fuse into a single service the preparing and the collecting of the rolls of direct taxes. As we have no need to examine, in this connection, into these suggestions, the idea of which by the way is quite old, we shall limit ourselves to showing the actual functions of the two branches of administration as they exist.

[THE PREPARATION OF THE ROLLS]

The administration of direct taxes "is charged with making out the rolls of the four forms of direct taxes and of the *taxes*

The
Hierarchy

¹ See the report of M. Marcel Barthe on the subject of the suggestion of combining the services of assessment and of collection of direct taxes. (Suggestion submitted on July 3, 1873, and repeated finally on December 18, 1880.) "The combining of the two services of the assessment and of the collection," he said, "by simplifying the administration and by reducing the number of agents, would bring about an important reduction of expenditures."

The reduction of expenditures is estimated at 8 or 9,000,000. This considerable figure shows at first glance that a more important reform, bearing on the treasurers general was intended in this plan. Without entering prematurely into the discussion of the merits of the institution of treasurers general we may recommend the report of M. Marcel Barthe as very instructive. Consult at the same time the report of M. de la Monneraye, in the name of the commission on administrative services, with regard to the organization of the ministry of finance. (National Assembly, February 23, 1872.)

A plan of fusion of the services of assessment and collection of direct taxes was also included in the suggestion of Deputy d'Aillières and other deputies, relating to the abolition of the office of Treasurer General; this suggestion was submitted on January 23, 1888, and was discussed in the Chamber of Deputies on the 23rd and 26th of March, 1889, and incidentally on July 2, 1889.

THE BUDGET

assimilées." Organized under the laws of November 24, 1799, at the beginning of the *Consulat*,¹ it is composed of 86 directors, 106 inspectors, 1,000 comptrollers of various grades, 100 supernumeraries, a total of about 1,300 revenue agents² making up the departmental hierarchy.

The Comptrollers

From this large group the *comptrollers* stand out prominently; they are the pivot of the entire service; they are in direct contact with the public and have charge of carrying out the details of the work, which the others supervise complete and direct. The comptrollers—distributed all over the country, two or three per district (*arrondissement*)—reside in the capital town of the district, whence they go out for at least nine months of each year, making tours through the forty, fifty or sixty parishes which compose their district.³ These comptrollers—by their uniforms, by their associations, by the examinations and diplomas required for their appointment—constitute a picked body of officials.

"The function of the comptrollers of direct taxes consists of keeping up to date, in coöperation with the local tax assessors, the original registers (*matrices*) from which the rolls are made up. In order to do this, they must ascertain the changes which have occurred in the conditions of the taxpayers and in conditions affecting tax assessments. They must verify the taxable licenses and investigate complaints."

The terms—*original registers (matrices)* *local tax assessors (repartiteurs locaux)*, *transfers (mutations)*, *complaints* and *rolls*—need to be defined. When they are explained, the functions of the comptrollers present no mysteries.

The rolls are "lists made up for each parish, containing

¹ See the details of the phases which preceded and caused this organization, in the first volume of our *Histoire des finances de l'ancien régime et de la Révolution* and in another book, *Les Finances du Consulat*, 1902.

² The expenditures for salaries reach 4,348,000 francs. Increases in the number of the personnel are demanded every year, particularly in the class of inspectors and comptrollers.

³ On the average each district of control would include from thirty-nine to forty parishes. This average, however, does not correspond with the actual situation, because of the fact that large cities have several comptrollers each. Some of the comptrollers in small towns, have as many as seventy parishes in their districts. According to

THE COLLECTION OF REVENUES

every kind of tax, with the names of the taxpayers and the amount which each taxpayer will have to pay.”¹ Since the making out of the rolls is the final object of the work here described, it is given first place, in order to show clearly the end to be achieved. The original registers (matrices) are “registers containing bases of assessment of every taxpayer.” The assessment rolls are prepared from these original registers.² The original registers determine the elements of individual assessments, and, on the basis of these elements multiplied by the rates or the *centimes* to be paid per franc, the sum which every taxpayer has to pay is entered on the assessment rolls.

The Nature of the Rolls

The Tax Registers

The elements of taxation, however, contained in the original registers must be corrected each year, because either the names of the taxpayers have changed on account of death, sale, donation, etc., or because the condition of the taxables has changed—that is, increased or diminished as the result of enlargements, constructions, demolitions, absorption by the public domain, new use, etc. Hence, transfers may be defined as follows: “Transfers are annual operations, consisting of recording in the original registers all changes in the name or in the elements affecting the assessment of each taxpayer.”

Commission or Board of Equalization

The local tax assessors, with whom the comptrollers act jointly, are:

“The members of the municipality and certain local taxpayers appointed by the sub-prefect to constitute a commission, charged with coöperating in the work of individual assessments.”³

The complaints are “petitions of taxpayers for obtaining a change of the bases or of the amount of their assessments.

¹ The roll is defined as follows: “The roll is the warrant by means of which the collectors proceed with the levying of direct taxes.”

The *Dictionnaire des finances* says: “The roll is a memorandum on which is entered the name, the business and the residence of the tax-payers, together with the indication of the bases of the assessment and the amounts they have to pay.”

² The original registers form, as far as the elements of assessments are concerned, the rough draft of the rolls.

³ In Paris, by virtue of the laws of the Twenty-third Frimaire, of year VII of the Republic, a commission on direct taxes, composed of rectorials appointed by the administrative authority, takes the place of assessors. This commission works in conformity with a decision of the Council of State, 1849.

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either as a matter of law or as a matter of charity"; these petitions are demands for relief (*décharge*) from the tax, or for reduction (*réduction*), and constitute litigious questions submitted to the decision of the *Conseil de Préfecture*; or they may take the form of requests for a remission (*remise*) or diminution (*modération*), appealing to the sense of justice of the prefect in case, for example, of calamities, hail-storms, frosts, floods, etc.

Duties
of the
Comptroller

Let us follow, now, a comptroller of direct taxes while in the field; his functions will thus be made clearer than by attempt at definition. For nine or ten months of the year each comptroller tours his district and the most important of these tours, the so-called "*tour of transfers*" (*tourné des mutations*) takes place from May to August. Another tour, called the "*license tax tour*" (*tourné des patentes*) takes place from September to October. Finally, the last, called the "*tour of corresponding taxes*" (*tourné des taxes assimilées*) in February and in March, has been added only recently.

Before leaving his place of residence, however, the comptroller begins by getting numerous data from the various bureaus, particularly from the registrar's office (*enregistrement*) where he finds important information relating to sales, inheritances, deeds of division, leases, etc. He gets other information from the bureaus of the custom house, indirect taxes, of the toll office, the municipal revenue office and railroad stations, particularly concerning the license taxes. Besides, in the course of the transfer tour, the tax collector submits to the comptroller his memorandum book in which he has set down all the local information which has come to him in the course of the year.

Equipped with this advance information, the comptroller tours his thirty-five or forty parishes, accompanied in turn by the tax assessors, who give him their opinions, impressions and estimates. He thus determines, by seeing and hearing (*de visu et auditu*) the changes to be entered in the original register. These registers, after having served for four years, are renewed, because more than 2,000,000 new entries are made in them each year.

The tour on which is collected the data on license taxes (*tourné des patentes*) is chiefly concerned with the making of a new census of taxable things, renting values, number of workmen, implements, capacity of the various storehouses, receptacles, the amounts of things produced, etc., according to

THE COLLECTION OF REVENUES

the different and countless specifications peculiar to each line of trade or industry. Because of the fluctuations in conditions affecting the tax, the license tax tour is deferred until the end of the year, so that the original registers and the rolls may show the very latest situations. At the same time, the work relating to transfers, made on the previous tour, is corrected, if necessary, completed and brought to date.

The tour devoted to the *taxes assimilées* has been detached from the general tour devoted to transfers, in order to relieve the latter of an excess of work with which it was burdened.

The comptrollers investigate the complaints made by taxpayers, either in the course of regular tours or on special visits. The service of investigating complaints, added to the preceding services, involves an enormous amount of work, because 500,000 individual complaints are submitted annually, not to mention the declarations made in the town-halls pursuant to the law of July 21, 1887, and the collective demands made on account of losses and extraordinary events.

Complaints
of Tax-
payers

Special inquiries ordered by superior authority compel the comptrollers to be present in the localities in which the investigation is to be made.

During these different tours and local visits, as well as on days when they stay in their places of residence, the comptrollers hold themselves at the disposal of the taxpayers, listen to the explanations given by them and, while drawing out the facts, themselves furnish information needed by the taxpayer with a view to making the tax assessment more perfect through details thus coming to their knowledge.

The importance and the amount of work which devolves on the comptrollers of direct taxes can thus readily be seen, and yet until 1902 the comptrollers of direct taxes continued to be classified, as far as their pensions were concerned, among the local agents (*agents sédentaires*). Article 42 of the law of March 30, 1902, finally corrected this inexplicable error of the laws of June 3, 1853, classifying the comptrollers of direct taxes among the active branches of the service on grounds ascertained in the course of statements of supporting arguments and of reports which justly set forth their merits.

The Status
of the
Comptroller

The work of the comptroller ends with bringing the original registers up-to-date; these form the basis from which the directors make out the assessment rolls.

Finally, in the superior hierarchy, the inspectors averaging nearly one for each *département*, verify all the details of the

The De-
partmental
Inspectors

THE BUDGET

service of the comptrollers, either by review of the rolls transmitted periodically, or later by inspection tests, thus determining the accuracy with which the comptrollers have performed their functions—ascertaining the degree of zeal, and reporting on the subject to the director. Finally, they attend personally to all matters of particular importance, the investigation of which the director has entrusted to them. The inspector is the chief reliance of the director.

The Directors' Functions and Salaries

The directors, residing in the capital, make tours through the *départements*, direct and centralize the entire business, transmit the orders coming from the central administration and their own orders to the inspectors and to the comptrollers, whose tours, verifications and changes they regulate. They decide, within the limits of their jurisdiction, the questions raised by the various incidents of the service, and, besides, have personal charge of making out the rolls and of having them copied, either *en régie*, that is, in consideration of reimbursement of expenses, as far as the rolls made for the State are concerned, or in consideration of compensation generally higher than their expenses for the rolls prepared for the *départements* and communes. Thus, when looking over the budget, one may be astonished to see that the salaries of the directors of direct taxes run only from 7 to 10,000 francs, while the salaries of their colleagues in the registrar's office, in the custom house and in the office of indirect taxes, range from 8 to 12,000 francs. It must be borne in mind, however, that they receive proportionate remittances allowed them by the *départements* and communes for the making out and copying of the rolls; these remittances supplement the salaries paid by the State.

As soon as the rolls are made out and copied, the assessment is complete.

COLLECTION OF DIRECT TAXES

Then another administration steps in, charged with levying [collecting] the amounts entered in the rolls. The director of direct taxes begins by submitting the rolls to the prefect of the *département*, in order that the latter may issue a warrant for their collection. Subsequently, he sends them to the Treasurer General, together with a *schedule of the amount of the rolls arranged by parishes (état par commune du montant des rôles)*.

THE COLLECTION OF REVENUES

The Treasurer General—as far as these executory rolls and the schedule accompanying them are concerned—enters the amounts in his accounts and becomes responsible for them. Then, subdividing the amounts among the special collectors under his orders, he makes these accountable officers in turn responsible for the portion assigned to each of them. Finally, the collectors are charged with the amount of the rolls, which the special collector turns over to them for the parishes of their district.

Thus, going from hand to hand, these documents involve successively the responsibility of those who receive them, as would be the case with bills sent in for collection.¹

The collector to whom we finally come constitutes the last rung in the service ladder of directly accountable officers placed under the immediate jurisdiction of central authorities charged with the duty of exercising accounting and financial control. In each *département*, the special collectors and the treasurer general are superior to the collectors.

In 1804, the present organization of collectors was established to take over the functions of the ancient collectors and tax farmers whose functions have been described in other books.² The law of February 25, 1804, brought about a considerable reform by the following simple words: "All collectors of direct taxes shall be appointed by the First Consul (Article 9.)" The collectors who had been but simple contractors for the collection of taxes thereupon became real officers, to whom the collection of direct taxes was entrusted when the work of the comptrollers was completed.

The collectors—numbering about five thousand,³ that is,

¹ This analogy of the rolls with bills to be collected has often been emphasized. Lately an editor of a daily has pushed the comparison so far as to suggest the abolition of collectors and the replacing of them by rural letter carriers. These, he said, already had charge of collecting commercial funds and they could in the same way present to the taxpayers the due coupons for their taxes: "The rural letter carrier, who passes the door of each taxpayer and goes to and fro over the fields where he meets the inhabitants of the village, all of whom he knows personally, should have charge of the collection of taxes." The imagination of the editor of the *Petit Journal* anticipates perhaps the simplifications which the twenty-first century may realize.

² Our books, *Finances de l'ancien régime et de la Révolution* and *Finances du Consulat*, show the details of the system which was in force before 1804.

³ The law of January 30, 1907, stipulated: "The number of collec-

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Jurisdiction of the Collectors

on the average two for each canton [the canton is a subdivision of the *arrondissement*, and is in turn subdivided into parishes]—officiate in seven or eight parishes on the average, sometimes ten or twelve or more, depending on the importance of the locality. There are, therefore, more collectors than comptrollers; the collecting of taxes requires a personnel five or six times as great as the assessing of taxes. Each one collects on an average 180,000 francs of direct taxes; his salary [over and above the minimum set out in the budget] is based on [the number of tax notices which he sends out].¹

How then do the collectors, in whose hands the rolls are placed, proceed with levying [collecting] the revenues?

Notice of Taxes Due

The first formality, of a secondary and routine nature, is that of combining under the head of each taxpayer the total of all taxes assessed against him on the various rolls, in order to facilitate the bookkeeping of which we shall speak later. The official operation, which in fact is the beginning of the levying [collecting] of the revenues, is the *publication of the rolls*. This act carried out on the initiative of the collector—by the mayor of each parish through the posting of placards printed on unstamped paper²—is intended to inform each taxpayer of the existence of documents which show his indebtedness for the coming year. This publication, furthermore, serves as a point of departure for a period of three months, during which complaints and reclamations may be made.³

Notices to Individuals

An individual tax bill follows. The collectors receive, with the rolls, a package of sheets of *notices to individuals to pay taxes*, which are prepared by the administration; they contain a copy of the law, together with an indication of the bases for his assessment, of the amount of taxes he has to pay in total and monthly, and of the sums due the State and the local

tors shall be reduced to 4,900 on account of the abolition of the collections in the cities." The collections in the cities shall be managed by the special fiscal agent.

¹ The tendency is to substitute for the proportionate remittances the more satisfactory system of "fixed salary"; the commission on the budget for 1888, however, pronounced in favor of maintaining the remittances paid to the collector. (See the report of M. Fernand Faure, which is still very true, and was submitted on November 17, 1877.)

² See text of the law of July 20, 1901.

³ With the exception of cases of false and double entries the law of December 29, 1884, makes the period of three months begin only with the date on which the taxpayer has notice of official action being taken against him. (Article 4.)

THE COLLECTION OF REVENUES

subdivisions¹ [*départements* and *communes*]. The collector adds the date of the publication of the rolls and announces the days and the hours his office will be open, and the dates of his tours; these notices are sent to the residence of each taxpayer.²

After these preliminaries, the taxpayers having been notified, first collectively and then individually, the collection begins. On the days and at the hours specified in the notices, the collector can be found either in his office or in the parishes *en tour*, as the case may be. When a payment is made he issues a receipt taken out of his stub register and enters the sum on the margin of the rolls in a space reserved for that purpose.³ From this procedure it may be deduced that the direct taxes are *quérable* and *portable*. They are *quérable* because the collector himself goes out in the communes, other than his own, to collect the taxes; they are *portable* because the taxpayer himself brings in his contribution. These, however, are entirely too ambitious expressions for such small things.

Office
Hours
of the
Collector

Manner of Dealing with Delinquent Taxpayers: Not all taxpayers, however, are on time to meet the collector; and not all of them bring their exact quota. It, therefore, becomes necessary to compel the tardy taxpayer to pay his taxes by a procedure the successive steps of which are as follows:

Notice without penalty (sommation gratis), a first summons for the payment of taxes, indicating to the taxpayer his arrears.

Forms of
Notices

*Notice with cost*⁴ (*sommation avec frais*), a summons similar to the above, but involving a fine.

¹ According to the law of July 13, 1911, the notice to pay taxes contains three columns indicating the share of the State, the share of the *département* and the share of the commune.

² For each notice to pay taxes there is a fee of 5 centimes for the cost of making out the summons and mailing it. The director receives 3 centimes and the collector 2.

³ The law of the third of Frimaire, of the year VII of the Republic, provided for the immediate emargination of the rolls at the moment of payment. The law of March 29, 1897, because of the difficulty and the delay which this operation presented in cases of great hurry and when a large crowd of people had to be handled, provided: "Articles 141 and 142 of the law of the third of Frimaire of year VII of the Republic, relating to the emargination of the rolls in plain letters by the collectors, are herewith abrogated."

⁴ Since the law of February 9, 1877, the summons involving costs replaces the old barbarous terms of *garnison collective* and *garnison individuelle*, which until then perpetuated the memory of the bailiff

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Order to pay (commandement), a judicial action, inaugurating the actual procedure in conformity with the code of procedure.

Attachment (saisie), executed within three days from the issuance of the order to pay, in case the taxpayer fails to discharge his obligations.

Finally, the *sale (vente)* of furniture, chattels and products according to the nature of the taxes.¹

Mode of
Exacting
Penalties

No prosecution, which involves costs, can be started save by virtue of a *warrant (contrainte)*. "The warrant is an order of prosecution against a delinquent taxpayer, enumerated in a collective list (with regard to notices with costs) and enumerated individually (in connection with orders to pay and the following actions)." The warrant is issued by a special collector and is endorsed by the sub-prefect. The law abstains from giving the collector the power to begin a prosecution at his discretion.

Taxes are
Promptly
Paid

The *servers of warrants (porteurs de contraintes)* are special executive agents, who perform the functions of bailiffs in matters relating to direct taxes. Since the laws of April 13, 1898, and of February 25, 1901, which permit the mailing of notices of prosecution, the number of the warrant-servers has been reduced from year to year.

Whether, because of the actual operation of these processes or through their threatened operation, or by reason of the good will of taxpayers, almost the total amount of direct taxes is paid into the Treasury of the collector on the fixed dates. At the end of the year the rolls are regularly balanced, except for about one-third of a twelfth,² while the costs of

men actually quartered in the houses of the taxpayers, as was the case under the old régime.

¹ By virtue of the law of November 12, 1808, the collectors have in the name of the Public Treasury a certain lien on the crops, fruits, rents and revenues of properties subject to taxation, for the real estate tax of the year just elapsed and for the current year, as well as a lien on the furniture and chattels of the debtors, regardless of locality, with regard to the direct taxes for the year which has elapsed and for the current year. With regard to immovable properties, the collectors are creditors in the sense of the civil law.

² The situation on February 1, 1912, with regard to the collection of direct taxes for the fiscal period was as follows:

Total of the rolls issued	1,175,849,100 francs
Amount collected	1,153,919,400 "
Not collected	21,929,700 "

This means only 0.22 of 1/12 in arrears at the end of twelve months.

THE COLLECTION OF REVENUES

prosecutions amount at the most to two francs per thousand.¹

The Auditing of the Rolls: It still remains to show how the complete auditing of the rolls is done: as has been said, these rolls must be audited in total on certain regulation dates. It must first be ascertained that the rolls are correctly made out and that they can therefore be collected. For this purpose the collectors look over the rolls for errors, false entries, repetitions, omissions or material exaggerations, inexact figures, etc., which may have distorted either the individual entries or the totals. As the result of this preliminary work, the collectors prepare a *schedule of unduly imposed taxes* (*état des cotes indûment imposées*), which schedule is submitted to the council of the *préfecture* and passed upon in line with the opinion rendered by the comptroller and the director of direct taxes. In case of a favorable decision, a release is granted and the prefect issues an order reducing the amount of the rolls by the amount designated.

During the first two months of the second year of the fiscal period, that is, twelve months after the collection has begun, the tax collectors submit, if necessary, to the council of the *préfecture*, a new kind of petition in the form of a *schedule of uncollectable taxes* (*état des cotes irrécouvrables*), which covers all taxes which the taxpayers are obviously unable to pay on account of poverty, insolvency, departure, death, etc. The accountable officer [the collector] attaches, as an exhibit substantiating his request, the various documents required for proving his endeavors [to collect], etc., and showing the reality of absences, cases of death, or the total absence of assets which he claims. The council of the *préfecture*, in case the request of the collector appears to be justified, by its decision causes an order of release to be issued by the prefect for *uncollectable taxes*.

As soon as these orders are issued and the rolls are corrected accordingly, the collector pays out of his own funds all uncollected amounts, if any.

Collectors
Released

¹ The cost of prosecution fluctuated in former times around the figure one per 1,000. In 1886 these costs for the first time reached the rate of two per 1,000. In 1889 they amounted to 2.03 per 1,000 and in 1890 to 2.04 per 1,000. In 1889 this cost was reduced to 1.86 per 1,000. In 1904 it rose again to two per 1,000. In 1907 it amounted only to 1.74 per 1,000; in 1911 it amounted to 1.60 per 1,000.

THE BUDGET

Collectors
Pay in
Certain
Arrears

At the expiration of the third year after the beginning of the fiscal period, the collectors deposit to their own account¹ funds to cover that portion of the rolls which has not been audited.² From December 30 of the second year of the fiscal period on, the special collectors (*receveurs particuliers*)—anticipating for their respective districts payments of the collectors (*receveurs*)—make up from their own funds the arrears to their treasuries. The collectors, thirteen months later, cover this advance made by the special collectors.

Close
of the
Fiscal
Period

Thus, twenty-three months after the opening of the fiscal period, the Treasury receives the total of the [corrected] rolls from the hands of the special fiscal agents,³ and three years after the same date from the hands of the collectors⁴ [the Treasurer receives the total proceeds of the rolls in his vaults]—a practice which is most advantageous for the security of the Treasury.

Heavy
Responsi-
bility
of the
Collectors

It must be borne in mind, however, that in case of a decrease of public prosperity or in case of a deterioration of the present regular habits of the people and particularly in case some great crisis should cause the collections to fall off, the collectors could by no means guarantee with their own funds the Treasury against loss. They would at least demand ample indemnities for taking such risks as was the case in the beginning of the century. Thus, precisely, at the moment when

¹ The collector issues to himself a stub receipt.

² At this time a list is prepared enumerating by name all the balances to be collected. By virtue of this list the collector, although he becomes the personal creditor of the delinquent taxpayers, reserves against them and for his benefit the powers which the Treasury possesses.

³ From the amount of the rolls have been deducted, as it was said, the portions which were unduly imposed and the portions which are uncollectable and for which the prefects have issued ordinances of release as a result of decisions passed by the councils of the prefecture.

⁴ In case of a deficit or of the absconding of the collector, the Treasury can attach their bonds. Moreover, the special collectors are responsible for the funds of their subordinates. In the same way the General Treasurers are responsible for the business management of the special collectors. Moreover, the law of September 30, 1807, imposes a legal mortgage on all the properties of accountable officers, giving to the Treasury at the same time the claim to all the movable or immovable property acquired after the appointment. This law cannot be applied to the collectors. (Decision of the ministry of March 21, 1807.)

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the guarantee of the agents would be particularly useful and efficacious, it would come to naught.

Recapitulating, we may say that the words *duality*, *responsibility* and *contract* symbolize the present system of direct tax-collection.

CHAPTER XX

THE COLLECTION OF REVENUES—Continued

The Collection of Indirect Taxes: The Division Administering Indirect Taxes; Things Taxed Indirectly; Personnel of the Administration; Fees of the *Droits au Comptant*; The *Droits Constatés* Compel Payments.

The *Droits au Comptant*: The Fees of the *Receveurs Buralistes*; Sixteen Thousand *Receveurs Buralistes*; They Collect 180,000,000 Francs; The *Octroi*; The Monopolies of the State; Tobacco and Powder; How They Reach the Public; Proposed Reforms as to Licenses; How Matches Are Sold; Simple Mechanism for Collecting.

Droits Constatés: How the *Droits Constatés* Are Collected; The Comptrollers Direct and Verify; They Notify Taxpayers; Local Collectors Receive Payments; Field Collectors; Their Duties; The Superior Administration Examines; Register of Orders; The Inspector; The Tobacco Retailers; Shipments of Liquor; The Routine of the Collector; They Verify Supplies, etc.; Liquor Houses; The Field Collector; The Details Are Endless; The Field Collector Looks After Traffic; He Collects Taxes from the Individual; The Funds Collected.

Inspectors and Directors: The Departmental Inspector; He Inspects All Offices; Inspectors Have Large Duties.

Recapitulation: The Reports of the Inspector; The Directors Prosecute.

THE COLLECTION OF INDIRECT TAXES

The administrative divisions in charge of the assessing and collecting of indirect taxes, named in the order of their financial importance, are: *indirect taxes, registry and stamps, customs*. In addition, there is an administrative division of the *state industries* attached to the ministry of finance, which produces tobacco and matches, and a division administering the powder industry which is attached to the ministry of war and which manufactures gunpowder and explosives.¹

The Division Administering Indirect Taxes: The division administering indirect taxes levies annually nearly 1,400,-

¹ Posts and telegraphs cannot be classified nowadays among the fiscal industries.

THE COLLECTION OF REVENUES

000,000, of which 826,000,000 are taxes and about 573,000,000 are the proceeds from the sale of products of monopolies.¹ Twenty to twenty-five different matters go through the hands of this division, as is shown by the following definition:

“The division administering indirect taxes has charge of collecting internal revenues from various objects, merchandise and works, such as: liquor, sugar, salts, candles, oils, vinegars, gold and silverware, playing cards, transportation on land and water, licenses, etc., and on the selling and supervision of certain products of monopolies, such as: tobaccos, powder, matches.”

Things
Taxed
Indirectly

The collection, sale and supervision of these various products, as may readily be seen, require a considerable personnel, which, according to the tables of recent budgets, is composed as follows: Eighty-five directors; about 100 deputy directors and 700 senior clerks; about 190 inspectors; nearly 400 comptrollers, who direct an entire army of clerks and officers; 2,400 field collectors; more than 2,600 senior clerks, etc., or 8,000 agents and sub-agents who compose what is called the *general service*. Other agents are in charge of the special assay service (*service de la garantie*); still others, very numerous agents and sub-agents, are in special charge of the sugar factories and alcohol distilleries; they bring the above list to nearly 11,000. To these must also be added the principal collectors (*receveurs principaux*), the bonded storekeepers (*entreposeurs*), the local special fiscal agents (*receveurs particuliers sedentaires*), and the 15,000 or 16,000 revenue collectors (*receveurs buralistes*). This makes an approximate total of 25,000 agents, sub-agents and collectors to be classified, according to the nature of their functions. In this connection, for the purpose of making this classification, a distinction must be made between *droits au comptant* and *droits constatés*.²

Personnel
of the
Adminis-
tration

¹ Collections of indirect taxes show in the budget for 1913 the following main elements:

Liquors	477,000,000 francs
Salts, candles, transportations, licenses, sugar, etc.	349,000,000 “
Tobacco, powder and matches	573,000,000 “

Total	1,399,000,000 francs
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² The *droits constatés* and the *droits au comptant* form for the indirect taxes permanent divisions of schedules of proceeds, of definite accounts of receipts, of the general financial account, etc.

THE BUDGET

Fees
of the
*Droits Au
Comptant*

The [kind of indirect taxes called] *droits au comptant*, as the name indicates, are paid immediately by the taxpayers: "They are payable and are actually paid the moment the taxpayers make their declarations as prescribed by the law," says circular note No. 445 of February 5, 1857.¹ This can be expressed still better by saying: "The *droits au comptant* are those [taxes or fees] paid at the time when the person paying them is attending to a formality or on requesting a service to be rendered to them, or again when making a purchase [as of tobacco or matches]." In this connection the taxpayers come around themselves—not all by themselves, however, because after all they would certainly prefer not to come at all—to ask for and to pay forthwith for a formality or for a service rendered to them.

The *Droits
Constatés
Compel
Payments*

This is not the case with the *droits constatés*. The aforesaid circular note No. 445 defines these *droits constatés* as follows: "The *droits constatés* are those [indirect taxes] which result either from facts developed during the fiscal period with regard to the taxpayers or from agreements signed by them and which must be collected subsequently on the action taken and on the responsibility of the collectors."² The words *collected subsequently* indicate that in this connection the operations of assessment and of collection are no longer coincident.

In the first case [*droits au comptant*], the initiative rests with the taxpayer: the fiscal agent apparently plays only a passive part. In the second case [*droits constatés*] it is the taxpayer who passively submits to the inquiries of the officers, and who delays paying his debts until he is summoned, in due form of law; the initiative is then incumbent upon the officers. It can be seen that these two kinds of collection involve a distinct hierarchy.

THE DROITS AU COMPTANT

The *droits au comptant* are composed of taxes on traffic in wines and ciders—a large part of them resulting from the consumption of alcohol—of tolls at city gates, where they exist, of certain other portions of various taxes laid on the

¹ The circular note, by speaking only of the *déclarations*, is incomplete unless it means by the latter the formalities, operations or purchases which are the result of the declarations.

² The preliminary notes of definite accounts of revenues also give definitions of the *droits au comptant* and of the *droits constatés* which are worth consulting.

THE COLLECTION OF REVENUES

price of tobacco, powder, matches, etc. The total represents the sum of 750,000,000 to 800,000,000 francs, that is, more than half the proceeds of indirect taxes.

Among the agents in charge of collecting the indirect taxes we find, in the first place, the *receveurs buralistes*, who are "commissioned agents charged with delivering notices and with receiving declarations." The *delivering of notices* (*délivrance des expéditions*), together with the collecting of the dues which this involves, occurs when the taxpayer asks for a permit, a pass, a receipt, etc., which is intended to accompany a shipment of liquor or other taxable matter. The *receiving of declarations* (*réception des déclarations*) is imposed upon taxpayers who enter or quit a business, work or lie idle, change their implements or their system of operations, etc.

The Fees
of the
Receveurs
Buralistes

In order to put these formalities within easy reach of the taxpayer, the law of April 28, 1816, stipulated: "The administration of indirect taxes shall establish an office in each parish in charge of a solvent citizen able to perform these functions" (Article 233). The number of such holders of collectorships is at present about 16,000. These are not officers, properly speaking, particularly in small localities, where tradespeople, grocers, hardware dealers, haberdashers or toy dealers, keep registers [of taxes] in some corner of their stores, while the merchandise takes up the remaining space and where the taxpayer himself becomes a client; this brings customers to the establishment. A tobacco license, which is generally held by such a store, supplements the amount of the remittances.¹ Even if the incumbent of such office is not an officer in the true sense of the word, he at least stands in his village as a personage of certain importance, who is surrounded with the trappings of governmental power, so alluring in France.

Sixteen
Thousand
Receveurs
Buralistes

Thus, at small expense,² the State is able to scatter over its territory a number of offices corresponding to the needs of the service, the [meshes of the] net becoming so much the

They
Collect
180,000,000
Francs

¹ The holders of collectorships are paid by means of remittances which are proportionate to the number of invoices they deliver, according to a decreasing rate. The annual proceeds of these remittances, particularly in the villages, at times reaches the ridiculous sum of twenty or thirty francs. Then, a retail tobacco shop attached to the collectorship increases the proceeds, as has been said above.

² The amount of remittances to the holders of collectorships exceeds annually 5,000,000 francs.

THE BUDGET

closer as the totals of taxable wealth increase. Thus, the sum of about 180,000,000 ¹ is collected all told in cash by the holders of collectorships.

The
Octroi

In the second place, the collectors of excise tolls ² collect in cash ³ the dues on importations at the gates of cities ⁴ where the total population reaches the figure of 4,000. This yields about 35,000,000 francs annually, without including the tolls collected for the benefit of the municipalities. Other dues of a secondary nature are also collected in cash, for example, the dues on assays, certain parts of dues on vinegar, on playing-cards, on candles, etc.

Tobacco
and
Powder

The Monopolies of the State: Finally, the gross proceeds of the fiscal monopolies, amounting to 573,000,000 francs, end the list. A special administration, subordinated to the Minister of Finance, has charge of the manufacturing of tobacco. This administrative division is known by the generic name of *State Industries* (*manufactures de l'Etat*) because for a long while it has manufactured powder as well as tobacco, and has finally been put in charge of the manufacture of matches. Since 1873, powder and explosives have been manufactured by the ministry of war, together with material of the same nature needed for the service of the Army. As far as matches are concerned, the monopoly of matches, until 1890, was entrusted to a special corporation, which held a license for manufacture and sale by virtue of successive contracts.⁵ They are now manufactured and sold directly by the State in conformity with the provisions of the law of December 27, 1889.

How They
Reach the
Public

Tobacco and powder, regardless of who manufactures them, are sold by the administration of indirect taxes, which employs for the sale of these articles two classes of agents, who

¹ These 180,000,000 are composed of the proceeds of the taxes from the traffic in wines and ciders, of the portion of the excise tax on alcohol, paid at the time the alcohol is going out or coming in, of the tax of forty centimes per shipment for the custom-house permit, of the stamp tax of ten centimes on all the fiscal receipts, of the licenses of public vehicles on land and of a certain number of other collections.

² In the excise administration are special collectors for excise tolls except where, by agreement with the municipality in question, these excise tolls are collected by excise collectors.

³ Cash and forthwith, except in cases of storing the goods in a bonded warehouse.

⁴ At the gates of cities, except in open localities where there is only a central bureau.

⁵ From January 1, 1875, to January 1, 1890.

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make collections in cash. These agents are the bonded storekeepers and the retailers.

The bonded storekeepers, stationed in the capital cities of the *arrondissements*,¹ receive the products of the State Industries² and store them for sale to the retailers of their district, in proportion to the demands for them. Tobacco is paid for in cash by the retailers to the bonded storekeepers, at a price list which is lower than the prices charged to the public. The difference between the two price lists constitutes the margin to the retailers—that is, their profit. Thus, for the most popular kind of tobacco, called *scaferlatis ordinaires*, or commonly *caporal*, the bonded storekeepers charge the retailer 11.50 francs for one kilogram, who, in turn, sells it to the public at 12.50 francs per kilogram, in conformity with the price list printed on the labels. The profit of the retailers therefore amounts to one franc per kilogram or 8.69 per cent. It is around this rate that the profit on the other kinds of tobacco fluctuates.

The result is that from 497,000,000 francs' worth of tobacco sold in 1910, the 48,000 retailers divided among them about 43,000,000 in profits, or on the average of 8.75 per cent.

If the tobacco retail licenses, instead of being given away more or less arbitrarily, were awarded to the highest bidder—a procedure which has been suggested at different times in the legislature and which could easily be established for tobacco retail shops of the first class yielding a gross profit of

Proposed
Reforms
as to
Licenses

¹ Only about ten *arrondissements* in France do not have bonded storehouses for tobacco. Almost all the bonded storekeepers are at the same time chief or special collectors.

There are still several special bonded storekeepers whose tenure is precarious, because the Chamber has obtained from the Minister of Finance the latter's promise to abolish these offices as they become vacant.

² The bales of tobacco which the bonded storekeepers receive from the manufacturers are counted, some by weight and some by the number of packages. As far as the latter are concerned, the control is easy. The bales, however, which are counted by weight, particularly the bales of tobacco in powder form which is used for snuffing, the density of which is constantly changed by the higher or lower degree of humidity, and the weight of which is, in consequence thereof, different from the weight originally entered on the records by the shipping factory, cause daily discussions with regard to the fixing of the responsibility. At times the natural humidity is increased by an artificial one which is intended to conceal the waste which results from a more or less legitimate cause.

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more than 1,000 francs each—the treasuries would derive a considerable profit from this item. But, in spite of the changes which have occurred in the political régime, the reform formerly urged by the Opposition does not seem, nowadays, to have any chance of success.

As far as powder and explosives are concerned, the sale of which is of much less importance than the retailing of tobacco (it yields about 22,000,000 of gross proceeds), the same bonded storekeepers, whom we have described above, receive from the powder mills of the ministry of war barrels and cases of powder, which they subsequently sell to the retailers for cash.

How
Matches
Are Sold

Matches—according to the new organization which came into operation after the monopoly was restored to the State in 1890—are delivered directly to the wholesalers by the factory. There are no bonded stores for matches. The collectors of indirect taxes register the orders for matches filed with them by the wholesalers.¹ Each order must be accompanied by a bonded tender or a deposit of the price. The collectors, after having endorsed these orders, forward them to the factory of the district.² As soon as advice of shipment is returned, they collect the amount of the price. The division of indirect taxes, as far as matches are concerned, limits itself to receiving orders for shipments, to collecting the invoices and to supervising the wholesalers and retailers, and finally to preventing smuggling from abroad.

Simple
Mechanism
for Col-
lecting

The *droits au comptant*—although they constitute the first important category of taxes in the hands of the administrative division of indirect taxes—have a simple mechanism. Receivers, collectors of excise and bonded storekeepers patiently wait in their offices for the arrival of taxpayers, and they limit themselves to delivering for the money paid either the blank forms or the goods required by the taxpayers. Nothing could be simpler; it is almost tantamount to voluntary contributions deposited in a charity box, if behind the stationary agents there did not appear legions of field officers, equipped with the power of imposing all manner of penalties, pushing the taxpayers towards the counters over which the fiscal ad-

¹ The word *wholesale* means only that every order shall be composed of complete boxes, weighing a minimum of 500 kilograms. Every licensed merchant can be a wholesale dealer.

² France is divided into four or five districts for State Industries.

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ministration sells its blanks, its services and its monopolized merchandise.

DROITS CONSTATÉS

The new class of agents employed in collecting the *droits constatés* follows the taxpayers over their own ground, looks into their houses, searches for taxable property in their cellars, their stores, their shops; pursues them over the highways, stops them at the gates of cities—in a word, follows them everywhere there is need of securing and collecting a tax. These agents of the field service are called *field or traveling collectors*; in the centers of districts, *comptrollers or station chiefs* (*controleurs or chefs de poste*). Let us study their functions in detail.

How the Droits Constatés Are Collected: The service in the centers of districts, large cities, small cities or large villages, because of the great importance attached to it, has entirely too complicated functions to form the subject of our study. However, we must mention, first, its dual character.

At the head of this service, in the larger centers, is the comptroller, who supervises several sections of clerks who have charge of controls, excises and verifications of the *general service*. In smaller localities, the *local chief* (*chef de poste*), who, as a rule, is himself a chief clerk, conducts the only section of which the service is composed.¹

The Comptrollers
Direct and
Verify

The comptroller (without speaking further of the local chief) has "special charge of the distributions and the control over the daily work," as reads the circular note. Twice daily, he issues *orders* to the squads of clerks, verifies their memoranda, satisfies himself as to the actuality and the efficiency of their work, in which he participates as often as pos-

¹ Thus according to the *Annuaire des contributions indirectes* such service of the city includes eight comptrollers, nineteen senior clerks, forty-three clerks, and four acting supernumeraries; the other one four comptrollers, eight senior clerks, twenty-nine clerks, and four acting supernumeraries. Thus one single comptroller with ten, four, eleven, six, and four senior clerks and clerks is sufficient. In small localities we find only one senior clerk as the station chief, with a clerk. It is not so much the importance of the city that regulates this organization; it is much more the nature and the number of tradespeople, manufacturers, contractors, etc., who are subject to control by the officers of the excise administration.

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sible. "The comptroller directs the service in which he participates."

They
Notify
Taxpayers

The comptrollers and the squads of clerks under their orders *assess*, through their control and verifications, the taxes which the taxpayers must pay. As soon as the *notices* to pay taxes, prepared on the bases of these *memoranda* (*portatifs*), are delivered to the taxpayers, their functions are concluded. The aforesaid taxpayers pay the amounts entered on these notices to the special local collectors (*receveurs particuliers sedentaires*) with whom rests exclusively the function of collecting these taxes. These special local collectors issue receipts; keep the records; prosecute, if necessary, delinquent taxpayers; periodically turn the money over to the collector of finances, and, in a word, perform all the functions of an accountable officer.

Local
Collectors
Receive
Payments

The fiscal organization for the collection of indirect taxes, as soon as it develops in a locality of importance, loses no time in acquiring a duality of functions.

The *field collections* made in the country are modest as to their organization and their operations, and have no duality. The same agents ascertain and collect the taxes. Let us limit ourselves to the study of what is called the *general service*, excluding the assay services and the service of the supervision of sugar and alcohol factories which, as we have said above, are entrusted to specially qualified administrations.

Field
Collectors

There are about 2,000 field collectors, each of whom is assisted by a senior clerk. Thus almost 4,000 agents are spread over the countryside, each having, on the average, a district of eighteen or nineteen parishes. In this connection, however, the average figure is particularly inaccurate, because certain stations have a horse¹ or two horses (one of them belonging to the clerk and the other to the collector), or a horse belonging to the collector, not to speak of the carriage (which always belongs to the collector), while certain other stations have to be covered on foot or on bicycles. The area of the district varies necessarily, according to the means of locomotion used for covering the district in question.

The field collector and his chief clerk have the function of

¹ In 1870 a circular note stated that "the moment had arrived when the use of carriages in certain collection tours should be substituted for riding on horseback." (Circular note of March 16, 1870.) There are no longer mounted collectors, in the proper sense of the word.

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assessing and collecting the taxes in the more or less numerous parishes of their district.

Let us start with the assessing of the taxes. This constitutes the entire *active* part of the work, which is divided into two kinds of associated operations: general supervision; verifications and inspections. Their Duties

The general supervision has the purpose of ascertaining that the taxable materials carried over public roads are properly accompanied by invoices, receipts, declarations, etc., required by the regulations. This is a part of the fight against contraband coming from the outside. As this species of fraud never ceases, day or night, and is liable to occur anywhere even in the remotest parts, the control must be exercised day and night on streets, highways and country roads, particularly at hours and in places most suspected. In case of an ascertained violation of the law, minutes are taken, which minutes order the attachment of the taxable material, and of the means of conveyance, without prejudicing the incurred penalties.

But how does the superior administration satisfy itself that the collector scrupulously performs the delicate and essential duties of general supervision? How does the superior administration manage to follow up the faithfulness of the thousands of agents scattered over the countryside—those whom distance from the center tends to render too independent? The old administrative rule, aided by the traditions of the *Ferme Générale*, introduced the most ingenious system of control. The Superior Administration Examines

In each station there is a *register of orders* (*registre d'ordres*) which is intended for making entries by the collector at the time of his departure; this entry must contain the itinerary and the duration of the tour. The senior clerk signs the *order*; alongside of the order, after the return of the collector, are entered the results obtained. Register of Orders

What happens in case an inspector arrives unexpectedly? His first duty is to look into this register of orders and to proceed forthwith to the places indicated in the latter, in order to find out whether the officer was really at the place indicated in the itinerary. Later, he will verify at leisure all the previous entries of this register by comparing them with the endorsements entered in the course of the route, with memoranda and minutes brought from the tour—in a word, with all the information which is likely to tally or not to tally with the journal recording the everyday life of the collector. The Inspector

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The
Tobacco
Retailers

The tobacco retailers in each parish keep register 86c which must be inspected by the collector and his clerk immediately after their arrival. Not only do they inspect this register, but they detach the looseleaf, which the collector fills out and the clerk addresses. Without leaving the place, the officers put this document in a letterbox to be mailed to the departmental director.¹ The postmark bears further evidence to the truth and to the date of the tour.²

Shipments
of Liquor

While *en route*, the collector and the clerk record the incidents of their travel: whenever the collector meets a transport of liquor he signs with date and signature and refers on his notebook to the invoices held by the driver; this practice confirms the presence of the officers in the localities and on the dates specified. Then, they mail notices to the station in whose jurisdiction is located the collectorship from which the permits in question are issued; thus the indications on the permits will show whether each looseleaf corresponds with the stub.

In the same way the character of entries, the dates and the hours of the minutes which the officers bring back with them, show the reality and the thoroughness of the supervision. The control, as we have seen, pursues every possible method to impress itself on the field collectors and to compel them to perform, in spite of their isolation, as exactly as possible the official functions, on which depend the proceeds of the collection.

The
Routine
of the
Collector

The functions of the collector become more precise in the verifications and controls to be exercised over the various taxpayers. The latest statistics indicate that the total number of individuals subject to indirect taxes amounts to 980,000, of whom 477,000 are retailers of liquor (this last number includes the liquor retailers of Paris), 32,000 wholesale dealers, etc. Every field district has a part of this considerable patronage, and in order to verify and control it in a methodical

¹ In case the collector wants to feign a tour and is a friend of the tobacco dealer in a locality he can ask the dealer to mail, on a certain day, the bulletin signed in advance by dropping the bulletin into the mailbox. This subterfuge, however, requires three accomplices: the collector, the senior clerk and the tobacco retailer. Besides, the inspector, by means of unexpected tours, can very easily ascertain whether the *register of orders* has been signed in advance.

² The director who collects these bulletins compares them subsequently with the entries on the registers of order and on the memoranda or has them compared by the inspectors.

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way, it divides it into several parts, in conformity with a daily itinerary which is called the *tour* (*tournée*).

These tours—numbering seven or eight for collectors, who cover them on foot, and ten or twelve for collectors making them on horseback or by carriage—are organized in such way that the entire district is visited two or three times each month. Let us follow a field collector on one of these tours.

The *register of orders* is first attended to, as explained above. "Immediately after that, the officers start on their trip," says the circular note of December 1, 1806. Upon reaching the first commune, after having there signed the register 86c, and after having mailed the bulletin, their official functions begin. The collector and his clerk, equipped with their working paraphernalia, such as memoranda, folding gauge, case with alcoholometers, branding-iron, etc., present themselves at the retail liquor shops, not only for the purpose of *control*, but, since the law of December 23, 1900, for the purpose of verifying the supplies in the cellar and releasing the liquor which has recently arrived under a customhouse permit (*acquit-à-caution*) [authorizing the conveyance of goods from one bonded warehouse to another after giving bonds for the payment of the duty, if they are not re-exported].

They
Verify
Supplies,
etc.

The law of December 29, 1900, was careful enough to stipulate in Article 2 that wines and ciders addressed to retailers in localities with a population of less than 4,000 souls could not be moved except under *acquit-à-caution*. Furthermore, this law indicated, in Article 5, that in case there is no effective and permanent control when the liquor enters a locality, each individual who retails liquor is subject to the visits of officers of the excise administration, which visits cover his cellars, storehouses, etc. Finally, Article 6 provides that in one and the same commune, the same price for liquor is binding upon the retailers, as well as upon wholesalers.

Liquor
Houses

These various provisions enable the field collectors to *visit* the retail shops of a commune and to satisfy themselves in a more or less efficacious way as to suspicious operation of which liquor may become the subject, but this is not required by the fiscal law.

Before the law of 1900 was passed, the officers in each parish devoted the larger portion of their time to retail liquor stores which were not permanently contracted for. Nowadays, as the *visits* are more rapid and less frequent, the

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administration has changed the tours and extended the distances.

The Field
Collector

Besides the retailers, the field collectors also inspect numerous and important taxpayers, among whom wholesale dealers of liquors must first be mentioned. As these merchants receive goods under *acquitt-à-caution* and are shipping them with various consignments, according to the particular case, the officers upon arrival have only to recapitulate in the registers of the local collector's office¹ the entries of the movement of incoming and outgoing goods relating to each bonded storehouse, in order to ascertain its situation.

The
Details
Are
Endless

In case the last verification was exact and the verifications now made are also exact, and if between the two verifications the wholesale dealer has committed no irregularity, then the *quantity which should be in stock* and the *quantity which is actually in stock* should balance each other exactly. It is very seldom, however, that such a balance is immediately obtained, particularly in storehouses overfilled with merchandise. When it is necessary to determine the contents of a large number of casks in which the gauge does not penetrate perfectly, or the shapes of which are irregular or which are not perfectly filled, etc.; or when it comes to weighing, by means of the alcoholometer, and rectifying the weight according to temperature of liquors of all degrees, under conditions of defective installation—mistakes of many kind are liable to occur. In the second place, the evaporation, leakage, spillage, etc., do their share in reducing the amount of stock. The excise administration allows deductions to be made on account of this waste, which of course influences the result of the verification. On the other hand, the wholesale dealer might have made shipments without invoices, poured alcohol into his wines, etc., and attempted to defraud the Treasury by clandestine increases of his stock, etc. Thus a shortage or a surplus results, which requires more precise verifications for special parts of the stock at least. Sometimes a shortage is positively ascertained, whereupon the taxes must be collected from the rest,

¹ The officials find in fact in the local collector's office, on one hand, for the *newly arrived goods* the *acquits-à-caution* which have been deposited there in order to be released after the shipment has been verified upon arrival; on the other hand, covering outgoing goods, the stubs of invoices taken out by the wholesalers themselves for the purpose of accompanying the shipment of liquors sent out from their stores.

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because these shortages represent deliveries made outside. As for surpluses, they are subject to attachment, because they can result only from the smuggling in of contraband goods.

The collector eventually visits many other payers of indirect taxes, owners of livery stables, brewers, manufacturers of vinegar, of candles, of playing-cards; whiskey distillers for whom no special service is organized, etc.; then he inspects the stocks of tobacco and powder in the retail shops. Finally, he verifies the accounts of the holders of collector-ships, going over them page by page, making the additions over again; he inspects the calculations of the registers, puts down the totals, collects the money and takes it along with him.

This, in the main, outlines the functions of a field collector in each commune in the course of a tour, until, upon his return to his office in the evening, he enters in the register of orders the results of his various operations. While proceeding from one commune to another, he avails himself of the opportunity of traveling over the highways at which time he exercises functions of special control over the traffic.

The Field
Collector
Looks
After
Traffic

This is where the function of accountant, assigned to the field collectors, comes in as a secondary duty. At the end of a three-month period—(*trimestre*)—when the accounts of all taxpayers are made out and the individual notices to pay are delivered, a special tour takes place. This tour is called the collection tour (*tournée de recouvrement*), during which the collector collects the taxes by calling at the residence of each taxpayer. In the course of this period of three months, when the liquidations show a debit, which makes it worth while to collect immediately, the collector delivers to the taxpayer a notice to pay taxes and collects the amount. Delinquent taxpayers are prosecuted and the collectors are held responsible, in case the promptness prescribed by the regulation is not complied with in due time. We shall discuss later the extent of this responsibility. Taxpayers who pay their taxes—and, fortunately, this is customarily the case—receive from the collector a receipt which is taken from a stub-book. The collector, then, upon returning to his office attends to the various registers, schedules and accounting papers.

He Col-
lects Taxes
from the
Individual

The funds, which are supposed to remain in the treasuries of the collectors as short a time as possible, are delivered monthly, and even more frequently, to the central fiscal agency of the district, against a written acknowledgment, which is

The Funds
Collected

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deposited in lieu of cash with the main revenue station of indirect taxes where the records of operations of its field collectors are centralized.

INSPECTORS AND DIRECTORS

The De-
partmental
Inspector

Above the executive agents, which we have just reviewed—the field collectors all over the country and the comptrollers or local chiefs in the cities—appears the departmental inspector. As we have said, there are on an average two inspectors per *département* [grand administrative division] but more frequently one. This superior officer “travels all over the *département*, and stops for several days at each station for the purpose of directing and examining into the service.” In this he follows the requirements of administrative circular notes defining his functions.

He Inspects
All Offices

The number of days which the inspector devotes to control and verification, either at his place of residence or in the field, is fixed at twenty per month, not including traveling days. The inspector verifies about three stations per month, remaining about a week at each of them. Upon his arrival at the station, the inspector informs the director of his being there; goes over the *register of orders* and proceeds with the verification of the cash on hand, in case he happens to be in the station of an accountable officer. Then he proceeds with his field work. “The inspector controls the actions of his subordinates in all details, in office as well as when inquiring into the affairs of individual taxpayers. He acknowledges his verifications by his signature.” (Circular note of August 23, 1852.) He personally takes part in the verification and control, because he is not only the agent of control, but he is also, above all, the chief executive agent. “He acts jointly with the officers; and, by requiring them to perform their functions in his presence, the inspector presides over and takes part in the inquiries made at the residences of taxpayers.” (Circular note of August 1, 1855.) The words *presides over* and *takes part in* seem to summarize clearly the functions which we are studying in this connection. The inspector has in all three coördinate functions: (1) control over the present and past management of the officers; (2) the giving of instructions and examples to them to follow; (3) personal participation in the service.

As far as the first function is concerned, while guiding his

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subordinates in the execution of the daily work, he satisfies himself whether, prior to his appearance, the work has been regularly performed. Being right on the spot and having data in hand, he compares the result of his own operations with previous results and ascertains wherein they depart from the normal or are contradictory or questionable. In case of necessity, he makes inquiries on all sides. Many old errors concealed [in general results] thus come to the surface. The schedules of proceeds and other documents are verified; the correspondence is gone over; the complaints and remarks submitted by the taxpayers are considered, etc. Condensing this information in a report submitted to the director, the keen-eyed inspector leaves the district, as a rule, perfectly satisfied as to the way the officers use their time during his absence.

He Compares with Earlier Results

As far as the responsibility of the inspector for raising the moral standard and contributing to the instruction of his subordinates is concerned, the circular notes express themselves in the most explicit way :

Inspectors Have Large Duties

“The inspectors, eager very often to justify the use of their time rather than to extend usefully the scope of their investigations, limit themselves to short visits. The inspector who fully comprehends the purpose and scope of his mission proceeds in an entirely different way. He must devote his attention to the important, commercial and industrial matters, to questions bearing on new and special legislation, to circumstances which may directly or indirectly concern the success of the tax. . . . Being constantly with the officials, he interrogates them, sees and remedies the weak points in the instructions for the conduct of their offices, and puts them in a position to profit from his own experience.” (Circular note of April 1, 1889.)

RECAPITULATION

In a word, because of his zeal, his authority, his experience being thus devoted to the interests of the administration, it has often been possible to run down abuses and frauds within a few days, and to save large sums for the Treasury.

The sub-director in the capital city of the district¹ and

¹ The *sous-directions*, generally speaking, exist only in capital cities of important *arrondissements*. Upon the suggestion of various com-

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The
Reports
of the
Inspector

the director in the capital city of the *département*, from their central offices, permanently exercise the control which the inspector performs on the spot. These chiefs of the service, either themselves or through their clerks, verify the complete reports by comparing their entries with the entries in the *registers of order*, and check the stubs of the registers in collectors' offices, acknowledge particularly the time of payments, the *reprises*, that is, reports on final statements of accounts in which mistakes either intentional or otherwise frequently occur. Finally, receiving periodically (as a rule each month) from the different agents of the field service and of the accounting service a series of documents combined for purposes of control, they are enabled, through the intelligent examination of the contents of these documents, supported by ingenious comparisons (and if necessary by unexpected visits), to discover irregularities and to keep the service on the alert.¹

The
Directors
Prosecute

Generally speaking, the directors centralize and direct the service of their district. Moreover, certain functions rest with them personally, such as the prosecution of litigious matters, the auditing of the *acquits-à-caution*, etc.

The multiplicity and the intensity of control are the characteristic features of the administration for indirect taxes.

missions on budget their number has been decreased. In the districts which have no *sous-direction* the authority rests with the *direction*, which in all cases supervises the total of the operations of the *département*.

¹ The directors and sub-directors perform a certain number of verification tours each year.

A circular note of the administration expresses itself as follows: "By examining the lists of contents, lists of products, of documents, of statistical and accounting nature . . . the directors and sub-directors are able to manage intelligently and follow effectively the work of their subordinates. . . . The useful work of the chiefs begins in the cabinet of the directors or the sub-directors." (Circular note of April 1, 1889.)

CHAPTER XXI

THE COLLECTION OF REVENUES—Continued

Collection of Customs Duties: Administrative Division for the Collection of Customs Duties; Two Classes of Agents; Customs Officials; How Merchandise Is Appraised; Examiners Must Have Wide Knowledge; How the Importer Pays; Organization of the Customs Field Forces; The Brigade and *Penthière*; The Frontier Guards; Administration Tests Its Guards; The Chain of Responsibility; The Universality of Control; Importance of the Director.

Administrative Division of Registration and Stamps: The Personnel of the Service; The Functions of the Collector; He Searches Out Fraud; History of the Individual Is Kept; Deputy Inspectors Check Up the Collectors; The Deputy Inspector Is Proved; The Departmental Director Commands the Inspector and the Deputy.

Distinctively Characteristic Features of the Services for the Collection of Indirect Taxes and Direct Taxes: Paying Officers Personally Responsible; Dissimilarity Between Direct and Indirect Taxes; Direct and Indirect Taxes Contrasted.

General Inspection of Finances: Duties of the Inspectors; Supremacy of the Inspectors; France Divided into Ten Districts; The Inspection Hierarchy.

COLLECTION OF CUSTOMS DUTIES

Following the order of importance of the collections, the second place among the indirect taxes should be given to the administrative division of registry and stamps. On account of the fact, however, that there are so many analogies between the administrative division for the collection of indirect taxes and that of customs, the latter will be examined first.

Administrative Division for the Collection of Customs Duties. The administrative division for the collection of customs duties has "special charge of collecting duties on merchandise subject to tax at the time of its importation into France. This administrative division also collects various duties on naviga-

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tion and duties on salt at the frontier"; this yielded, according to the budget for 1913, 662,500,000 francs.¹

Two
Classes of
Agents

The agents of the *local service* (*service sédentaire*) collect these 662,500,000 francs; the agents of the *field service* (*service actif*) limit themselves to searching for fraud. Thus, at the very beginning, we have two perfectly distinct classes in the personnel of the customs service in accordance with the budgetary tables themselves—the local service and the field service.

Let us begin with the local service, which is "the service performed by the customs bureaus for the purpose of classifying merchandise, liquidating the dues in accordance with tariffs and making the collections."

Customs
Officials

In accordance with the laws, importers must bring all merchandise which enters France directly to the customs office nearest to the frontier. This bureau proceeds then with three operations, specified by the definition hereinafter given: (1) inspection of merchandise; (2) determination of the duties; (3) collection of the duties. No collection could be made without determining the duties and this is always done on the basis of a certificate of inspection. In large customs offices, equipped with all facilities for the service, each of these three operations engages a distinct group of agents.

The inspection of merchandise is performed by customs examiners (*vérificateurs*), under the supervision of a local inspector or deputy inspector (*inspecteur* or *sous-inspecteur sédentaire*).

How Mer-
chandise
Is Ap-
praised

The customs examiners form a picked body, which was reorganized by the ministerial decree of January 19, 1892, through the result of the voting of the new tariff.² Their

¹ Duties on importation	563,300,000
Duties on statistics	15,100,000
Duties on navigation	11,600,000
Other duties, fines, etc.	9,800,000
Tax on the consumption of dutiable salts	24,100,000
Duties on imported sugar (estimated)	38,300,000
Total	662,500,000

² The order of December 27, 1883, has merged into one single hierarchy all the agents of the secondary personnel, who until then had been, according to their qualifications, either assigned to make the inspections or handle the records under the general name of comptrollers, senior clerks and clerks. The ministerial order of January 19, 1892, has reestablished the separate classification of the examiners (*vérificateurs*) by giving to them an additional allowance under

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functions consist of *examining merchandise*—that is, determining the nature, origin, place of production, weight, number, volume or value. Importers must, in the first place, file a detailed declaration; but it is necessary that this declaration be under control, and if one considers the customs tariffs, this task appears to be particularly difficult. For instance, take the *nature* of merchandise; here alone there are countless classes or varieties. As to the quality, methods of manufacture, combinations and grades, there are various classifications and sub-classifications.¹ These classifications and sub-classifications are essential, however, because they serve as bases for different customs schedules.

The determination of the *origin* of the merchandise—that is, the country where it was grown or manufactured²—the ascertainment of the country from which it is being imported,³ these matters fix the point of departure; because, ac-

the name of *professional extra-stipend* (*indemnité professionnelle*). At times senior clerks can be called upon for inspection service in case of need.

¹ If, for example, we open the custom tariff on the article *pure cotton textures*, we see that the examiner, after having first satisfied himself that the material in question is really pure cotton and not jute, wool, silk, linen, ramie, etc., must ascertain whether this pure cotton is unbleached, twilled, dyed in one color or in several colors, figured, with inwoven figures, piqué, bleached, etc.; he must figure the number of threads per square centimeter, the relation of the weight to the volume per hundred square meters, etc.; he must determine whether the material in question is duck, glazed, calico, dimity, corduroy, silkoline, moleskin, muslin, tulle, knitted goods, laces, needle embroidery, ribbons or passementerie.

The duty often changes from the simple to the double one with regard to materials which to the unexperienced eye are almost alike.

² The determining of the origin of merchandise in a given case can be appealed before the *committee of legal examination* (*comité d'expertise légale*), which is organized in the ministry of commerce, by virtue of the law of July 28, 1822.

As far as merchandise originating in French colonies is concerned, a certificate issued by the local authorities facilitates the task of the examiners.

³ For instance, the resins, colophony, resinous products, etc., taxed at six francs per one hundred kilograms, in case they originate in the country from which they are exported, are taxed eleven francs per one hundred kilograms if their country of origin is different from their country of exportation. Moreover, an extra bonded store tax, in case of the merchandise coming from some bonded storehouse in Europe, brings the total of the tax to 13.60 francs.

A large number of analogous cases may be found in the tariff.

The documents accompanying the shipment of goods constitute the

THE BUDGET

Examiners
Must Have
Wide
Knowledge

cording to the case, considerable additional duties may or may not be imposed.

The examiners must, therefore, possess a perfect industrial competency. Merchandise, the value of which is taxed more than twenty francs per one hundred kilograms, according to the regulations of the customs administration, must be directed by the importers to certain large customs bureaus designated by the law, which bureaus have an extra large personnel.

After the imported goods have been classified as to their nature, origin and source, it still remains to weigh, count and measure or appraise them, according to established units of collection. In this last function each examiner is assisted by a gauging-examiner (*préposé-visiteur*).

With regard to the complete results of the examination, entered on the bulletin of examination (*bulletin de visite*), the service of the comptrollers and of the clerks in the bureaus consists in consulting the volumes of tariffs and in applying the rate indicated in these volumes to the classes of goods and to the quantities determined. This second operation is called the determining of the duties (*liquidation des droits*).

How the
Importer
Pays

Then the importer, holding his bulletin of duties (*bulletin de liquidation*), presents himself at the window of the chief collector¹ or of the special collector,² who proceeds with the third and last operation, which is the collection of the duties forthwith and in cash, unless the amount to be paid exceeds 300 francs. In such event, if the payer be a taxpayer and

primary element of information; these documents, however, must be verified very closely.

¹ In custom houses of the first class the main collector, who is entirely devoted to collecting the revenues, takes no part in other operations of the bureau; these are attended to by the stationary inspector, who has charge of the supervision and direction of these operations. In other custom houses the entire work (with the exception of the examination work, particularly if there is a deputy inspector attached) is under his direction and control.

Besides these personal functions of collection, the main collector centralizes the revenue and the accounting work of all the offices of his district, pays the expenditures, prosecutes controverted matters, etc.; he is directly under the jurisdiction of the *Cour des Comptes*.

² The subordinate collectors act on the responsibility of the main collector, with whom they settle their accounts once a month. The verification of the work done by subordinate officers, on the spot, does not enter into the functions of the main collector, who never leaves his official place of residence. This kind of control is performed by the divisional inspector (*inspecteur divisionnaire*).

THE COLLECTION OF REVENUES

he so desire, he may sign an interest-bearing bonded agreement, which becomes due after four months.

The preceding description refers only to merchandise which involves the immediate payment of duties. In case of transit, storing in a bonded warehouse, or in case of temporary admission, the verifications have either a more summary or a more specific character. With regard to merchandise which is exported and not subject to a tariff, the declaration of the shipper is always required by law, so as to bring the transaction into the statistics for commerce. The instructions, however, recommend that the officers do not proceed to the point of opening the bales, except in rare cases, and then only using the greatest consideration.¹

Customs officers of little importance—directed by special collectors or by holders of collectorships—perform in principle the three operations described above.² The only care that one must exercise is to distinguish for himself the three operations. Taking an extreme example at the very bottom of the service ladder, the collector in a locality which is little frequented, who manages his office alone, may not even be aware of the fact that when collecting duties on a shipment, he is actually performing the three separate functions of making an examination, determining the duties and collecting the amounts due. His modest work, however, includes unconsciously the three operations, which are separately performed at the larger offices.

If the field service did not drive importers to the customs offices situated at the termini of the highways of traffic, these customs offices would be sadly lacking in business. The same would be the case with field collectors of indirect taxes, who have to collect the *droits au comptant*. These field collectors,

¹ "As far as exports are concerned, in order not to create hindrances to commerce the service procedure generally admits *without verification* the declarations made by the interested parties," says the circular note No. 2357 of October 31, 1893. But, adds this note, as it is to be feared that these declarations are not always made with the necessary care, it is necessary to remind the public of the provisions of the law of May 16, 1863, and of the fines in case of their violation.

² While the custom house of Rouen is provided with local inspectors, with about a score of examiners, about thirty comptrollers, senior clerks and clerks, and one main collector, we find at Saint-Servan only one special collector, one assistant examiner and one clerk; at Wattrelos, one special collector and one clerk; at Duclair, a collector alone.

THE BUDGET

however, combine their functions of supervision with the functions of collection, while in this connection the importance of the supervision is such that captains, lieutenants, first sergeants and excise agents devote themselves exclusively to it.

Organization of the Customs Field Forces: Day and night an army of 20,000 men encircles the country in a continuous belt, a living wall, not leaving a gap for importations from abroad except over the regular roads of communication. Let us examine this organization work in the field by beginning at the bottom of the hierarchy, which means with a brigade.

The brigade—the elementary unit of the field service of the customs administration—is composed of a first sergeant (*brigadier*), who is in command of one or more sergeants (*sous-brigadiers*), and of a certain number of agents (*préposés*).

The
Brigade
and
Penthière

Two varieties of brigades must be distinguished: traveling brigades (*brigades ambulantes*) and frontier brigades (*brigades de ligne*). The first are mobile forces entrusted to captains or to inspectors, in order to form the connecting link, to support, to investigate and to supervise the work of the frontier brigades.

The frontier brigades have charge of the permanent patrol of a stretch (*penthière*) of the frontier, of six, eight or ten kilometers, according to the configuration of the country, the end of one patrol being terminated at the beginning of another.

The service on the patrol is organized as follows: (1) Observations and sentry duty during the day; (2) ambushes [watch stations] and patrols during the night. The observations and sentry duty during the day¹ are relatively easy; a limited number of men is sufficient to perform this service. Night duty, on the contrary (when darkness favors any fraudulent enterprise, in the solitude of the countryside, of the forests and mountains), becomes arduous and even hazardous; it furnishes a true picture of the life of an officer of customs (*douanier*)² in all its intensity.

¹ The observations are made either under way or at the place of residence, either openly or in secret, according to the necessity, the time and the locality; an observation ordinarily lasts six hours and sentry duty two hours.

² The guard over the waterfront of the country, which we do not describe in this connection, is performed in a much easier way, be-

THE COLLECTION OF REVENUES

Each evening, the first sergeant gives the orders, that is, designates the number of agents who will have to go on watch,¹ indicating at the same time the exact location of the stations. The record of work (*registre de travail*)—which shows the order given and which is analogous to the register of orders of the field collectors of indirect taxes—is kept in the local office of the guards. The agents on duty, after they reach the designated place, establish themselves for the night; they have to stay awake ready to hear the slightest noise, to be on the jump at the first signal, to be ready to answer any call. In case of an alarm, a rifle shot is the signal for the entire brigade to assemble.

The
Frontier
Guards

The agents thus put on sentry duty for the purpose of detecting any possible attempt at smuggling need in turn to be watched pretty closely. Night duty is hard, as we have said; zeal may slacken when a man is isolated; in the dark, temptations of all sorts acquire an unknown force.

The first precaution of the administration consists in satisfying itself that each agent has really departed for the post to which he was assigned—that he did not go home or elsewhere by a roundabout way after the order was given. Then, the administration satisfies itself that sleep did not overcome any of the agents at the places where they were camping, that they did not seek shelter in some neighbor's house, that their arms and their equipment were ready for any emergency, that they did not fail to detect any noise in case of danger, and, above all, that they did not sell their honor,² cases of which are, fortunately and much to the credit of our country, extremely rare. In a word, are not the meshes of the net

Adminis-
tration
Tests Its
Guards

cause of the extent of the country which can be covered by sight and because of the difficulties of approaching the coast at certain points.

¹ The agents while on ambush duty stay awake and rest in shifts, lasting generally two hours each. Well-chosen places for ambushes must give the watcher the opportunity to see a long distance around him, while he himself must remain invisible. (The agents are forbidden to talk and to smoke. For the last few years the ambushes have been replaced by patrols to which almost all of the above rules apply.)

² The administration has constantly endeavored to raise the salaries of the agents in order to increase their financial independence. In 1889 the minister stated the progress: "The salaries of the customs agents in active service amounted to 650 francs per man in 1854; in 1867 they received from 800 to 850 francs. Since, they have been increased to a figure varying between 900 and 1,050 francs, according to the classes. We have, therefore, done what we could." (Chamber

THE BUDGET

which encircles France on all sides liable to be broken at some place?

The first sergeant, in order to supervise his men, uses the thousands of bits of information which he gets through his acquaintances in the neighborhood; besides, he makes frequent personal tours. The first sergeant, however, through the constant opposition of his subordinates, might finally slacken in zeal and become a routine man, if he were not properly supported.

Above him are lieutenants and captains who have no other function than to go from one brigade to another, both day and night, to inspect the conditions of the service on the spot. At night, lantern in hand, they visit the guard stations in order to consult the record of work, which they sign in order to enable their own superiors to check them in turn; then, they go out to look for the guards (*préposés*) at designated points; satisfy themselves that the positions occupied are proper; pass from one hiding place to another, without failing to put down their own observations and actions in order to enter them later in their journals. Next morning, when reporting, the guards who have been on duty detail these night visits, the dates of which the directors ultimately compare with the entries in the journal of the tour.

The captain, in his more extended district, duplicates the work of a lieutenant both day and night.

The Chain
of Re-
sponsibility

Finally, the divisional inspector¹ supervises the captains, the lieutenants and the brigades by means of making continuous tours. The traveling brigades, which he must personally conduct, reinforce the frontier brigades; and, while supporting the latter, discover the gaps in their work. The number of agents reaches 14,624; the number of first sergeants and sergeants, 3,600; over them are 329 first and second lieutenants, 169 captains, 125 chief inspectors and inspectors.

of Deputies, session of July 2, 1889.) Since then the salaries of the agents have shown an increase of their average.

According to the budget of 1913 there are 14,624 agents receiving salaries ranging from 1,100 to 1,400 francs, which amounts to a total of 18,280,000 francs.

¹ The divisional inspector, placed under the immediate orders of the director, supervises not only the service of the brigades but also the service of the bureaus of which we have spoken above. For this purpose he checks up the main collectors and the subordinate collectors, acknowledges their collections, goes over their records and verifies their accounting work, etc.

THE COLLECTION OF REVENUES

Besides the verifications by their chiefs, the brigades control each other reciprocally by the following ingenious procedure: Each morning at daybreak, two groups of agents start—one from the guardhouse to the right and the other to the left—conducted by the first sergeant or the sergeant, in order to scour the country¹ as far as the boundary line or the *penthière*, in order to effect the *rebat et contre-rebat*. There they meet a detachment of the neighboring brigade similarly engaged; with this detachment they exchange *visés* and observations.² The purpose of these scouting expeditions is to find out in the morning, through inspection of the ground, the possible passage of smugglers through the night. In case footprints are discovered, the superiors are notified immediately, the trail is followed in two directions—that taken by the smugglers, and that whence they came. Did the road which the smugglers followed approach a post of ambush? If so, why did the men on sentry duty fail to hear, or to see anything? What were they doing? Were they asleep, or absent? An inquiry is then begun which reveals, perhaps better than tours of superior officers, the defects of the service.

Two and often three lines of excise control, organized and supervised in the way described above and reënforcing each other in a concentric way, are thrown around the frontiers on land. The first line only is absolutely continuous. This line is defined as “an interrupted sequence of posts, which communicate between themselves.” The brigades of the second line, placed at the interior extremity of the customs region (*rayon de douanes*)³ serve as a defense of particularly dangerous points, and to catch smugglers who may escape the meshes of the net at the outer frontier line.

As we see, the control hovers over every part of the service; the superior agents are just as much subject to this control as the subordinates. Owing to this control, the field personnel, constantly kept on the alert, succeeds in blockading successfully by day and by night 5,000 kilometers of frontier line;

The Uni-
versality of
Control

¹ If we should go into detail, we would have made a distinction between the *rebat de jonction*, the *rebat croisé*, the *rebat brisé*, the *rebat à la lanterne*.

² Thus certain stories, more or less amusing, communicated at the point of contact of the *rebats*, made, it is said, the round of France and back to their original author.

³ The frontier region is a zone of two and one-half myriameters within which the law gives special privileges to the agents of the customs service.

THE BUDGET

and the Treasury collects 400,000,000 of [customs] revenues, which pour in through the collection offices. This *tax-constabulary* (*gendarmerie de l'impôt*), according to the justified expression of one of the chiefs of the customs,¹ protects not only its own taxes but also the taxes and the monopolies placed under the management of the administrative division of indirect taxes, the duties on liquor, on playing cards, on gold and silverware, the monopolies of tobacco, powder and matches. Thus more than 1,500,000,000 of revenues, strictly speaking, offset the costs of collection, and reduce the percentage considerably below the apparent rate.

Finally, as we have insisted so much upon the necessity of the control, which has occasionally shown its defects, it seems only proper to remember that the acts of devotion and defense of the interests of the Treasury, rendered by the officers of the field service, have been collected by several authors under the title *Histoire du Drapeau*.² This book contains splendid pages laudatory of the French administration of customs.

Importance
of the
Director

Over these double series of agents described above, agents of the local service and agents of the field service are directors in each district (*circonscription*). These districts, assigned to the directors, are no longer the *départements*, as was the case with the other fiscal administrations, but are frontier regions shaped according to the needs of the service, numbering twenty-three.³ The functions of the directors are those which naturally are incumbent upon chiefs of service who depend directly upon the Executive, and who give orders in the latter's name to the entire personnel. The director decides on the tours of the inspectors, the deputy inspectors, and receives their reports. He drafts the instructions for the service, settles disputed questions submitted to him, attends to the correspondence with the central administration, to which he submits semi-annual reports. Matters of dispute, matters of ac-

¹ Speech of the director general and government commissioner, Chamber of Deputies, March 15, 1895.

² *La monographie des directions de douanes*, by M. Barbier, retired director, volume published in 1890, devotes to each district, under the name of the "Histoire du Drapeau," summary of main incidents which have occurred.

³ Thus, the *département* du Nord includes three directors of customs—at Valenciennes, Lille and Dunkirk; while the director at Saint-Malo includes three *départements*: de la Manche, Côtes-du-Nord and Ille-et-Vilaine.

THE COLLECTION OF REVENUES

counting, and of issuing payment vouchers for expenditures enter into his special sphere of competency.

ADMINISTRATIVE DIVISION OF REGISTRATION AND [STAMPS]

The administrative division of registration¹ (*Administration de l'enregistrement*)—"which has charge of collecting the fees for registration, for stamps, recording (*greffe*) mortgages and the taxes of four per cent on movable securities"—takes in about 1,000,000,000 francs.²

The personnel charged with ascertaining and collecting this 1,000,000,000 francs is organized in a much simpler way than is the personnel which has charge of collecting the indirect taxes and the customs duties and is, as a consequence, easier to describe. The personnel includes 87 directors, 108 inspectors, 466 deputy inspectors and 2,800 collectors.³

The
Personnel
of the
Service

At the bottom of this official ladder, and in direct contact with the public, is the *collector*. The collector of registration has permanent residence in the capital of the canton.⁴ As, according to the budget, there are about 2,800 collectors, this means that there is about one collector for each canton.⁵ The

¹ "The law on registration," says Troplong, "is for us legal students the noblest, or better, the only noble one among the fiscal laws. The latter refers only to material objects, which they tax as far as the material side is concerned. The registration law is not limited to the perpetual contact with the material side. It enquires more into the tax on a thing than into a thing itself." (*Gazette des Tribunaux*, July 20, 1830.)

² This 1,000,000,000 francs is divided as follows according to the figures of the budget plan for 1913:

Registration, recording and mortgaging	777,600,000
Stamps	274,100,000
Tax on stock exchange transactions	17,400,000
Tax on revenue from movable property	119,600,000

Total

1,188,855,000

³ Figures of the budget for 1913.

⁴ The collectors of the registration duties are paid by means of remittances which are proportionate to the amount of revenues of their bureau, whereby a minimum is guaranteed in each class. (Decisions of March 9, 1889, of February 11, 1901, etc.)

⁵ A decree of August, 1908, abolished at once, in conformity with the desire of the commissions on budgets, 120 bureaux of registration, "the maintaining of which did not seem to be indispensable for the interest of the service." The number of collectors given above will therefore be reduced proportionately, if this measure is ever enforced.

THE BUDGET

The Functions of the Collector

functions of a collector are essentially of an office character. The law of May 27, 1791, specified them as follows: "The office shall be open to the public every day, excepting Sundays and holidays; it shall be open without interruption from 8 A.M. until 4 P.M." Thus from 8 A.M. to 4 P.M. the collector does not leave, or better say should not leave, his office. Once his office hours are over, he is perfectly free to do as he pleases.

What are exactly the functions during these continuous eight hours of duty? "He receives the declarations of the taxpayers, records the documents presented by parties or officers of the ministries and collects the fees due on such registration." These few words describe his work, which, as is easily seen, is made up of two operations, those of ascertaining and of collecting. According to an administrative circular note, registration is "a formality which consists of a material entry of a document or a declaration on special registers kept by the agents, for which a fee is collected for the benefit of the Treasury." (Instruction No. 1611.) In consequence, documents or declarations presented by public or ministerial officers or by private parties have first to undergo an examination by the collector. The collector investigates their character, ascertains the object of the agreement without paying attention to the form, which is often delusive; analyzes the numerous independent provisions; determines the taxable matter in accordance with the official rates, and finally settles the amount of the fees. As soon as the fees are determined he collects them, and proceeds to abstract on his registers the contents of the exhibits, following the order of the document; or he may follow the order which seems to him the clearer. In the case of a document, a receipt is attached to the bottom of it, indicating the volume and the page of the register and the amount of the fee. So far as declarations are concerned, special receipts are issued.

He Searches Out Fraud

After the operations demanded by the public are thus completed, the collector must still control them: the registrations made by him forthwith are done subject to subsequent verifications. He then devotes himself to a search for fraud, a search of an official character, performed in the room; this search goes from one register to another, through dust-covered volumes; such a hunt is often not only productive, but even very exciting. The folios which decorate the shelves of the office contain much information and many references as to the value of property transferred or rented, as to the value of estates,

as to the nature of the estates, as to corporations formed and dissolved, as to the shares of properties (*apports*) and settlements, as to the dividing up of property, etc.; in a word, information and references to all actions of the legal life of every citizen. The great difficulty consists in finding and grouping at any desired moment the information resulting from these facts. For this purpose, the excise administration formerly used *tables* arranged like registers; these tables had different titles, such as the tables of purchase and of new owners, of vendors and former owners, a table of leases, of marriage contracts, of testaments, of estates and of absences. Since 1866, by initiative of M. Roy, Director General, a single *general register*¹ (*Répertoire général*) has been substituted for them; "this register combines in one entry, under the name of each taxpayer the various acts of his civil life, relating to his person and his properties."² There are entered, both on the credit and on the debit side: the acts, the facts, the transfers of property which are liable to bring about the assessment of taxes. This open account is supplemented not only by the information which the collector gathers in his own district, but also by the information which all his colleagues transmit to him eventually from one end of France to the other. For this purpose, a system of exchanges (*renvois*)³ has been organized, which constitutes an agency of mutual information among the bureaus.

History
of the
Individual
Is Kept

As soon as a payment falls due, the balance sheet of the

¹ The general register (*Répertoire général*) has been already established in Belgium and has been in force there since January 1, 1860, to the full satisfaction of the administration. As Belgium differs very little from France, the same law of the year VII of the Republic covering the matter of registration has proved the contention. Thus a circular note, No. 2320, of November 29, 1865, did not hesitate to introduce this reform in France, beginning with January 1, 1866.

² The institution of the general register has caused very vivid criticism, first because of the excess of work resulting for the officers, a condition which subsequent circular notes have attempted to remedy; and, furthermore, on account of the similarity of the first and last names, which, in certain localities particularly, result in constant confusions. Nobody thinks, however, any longer about returning to the old-time tables.

³ The *renvois* are "memoranda received occasionally by a bureau relating to the financial situation of taxpayers who are within the jurisdiction of another bureau to which this information is communicated."

THE BUDGET

taxpayer is consulted¹ and compared with the figures on the declarations, to *discover* whether there is an intentional or unintentional omission. When a death is announced, for instance, an event which the fiscal administration watches very closely, the *table of inheritances* makes it possible at once to see whether or not the heirs have submitted their declaration in the regulation space of time. Then the *general register*, going still further, indicates whether all the properties of the *de cuius* are entered in the declaration and whether their values conform to those of former estimates.² Each document submitted for registration gives an opportunity for analogous comparisons. Documents control documents. A careless word in the draft of a contract, due to an individual or often to an absent-minded notary public, puts the astute agent on the trail of fraud. Sooner or later, some incident or some procedure brings back to life all the matters which were concealed in the shade of the fraud. The collector, eager to protect the interests of the Treasury, cannot fail to detect them. In brief, in this connection as well as with regard to indirect taxes and in other connections, the local agent of the administration is largely responsible for the taxes.

Deputy-
Inspectors
Check
Up the
Collectors

The next thing is to control the collector himself. In offices of registration, this control assumes a special form, exclusively of an inside office character, as the facts are not of a passing or temporary nature as is the case with the indirect taxes or with customs duties. The registers, which may not be taken from the office, are always at the disposal of those who desire to examine and reexamine them; they offer to the superior agents all the facilities necessary for checking up at leisure the statements made, and to revise them until the end of the statute of limitations.³ The control in the administrative division of registration consists simply in going several times, on the premises of the office, through the same operations. Two classes of superior officers perform these functions: first the deputy inspectors and then the inspectors.

¹ Cards or *mobile bulletins* (*bulletins mobiles*), arranged in alphabetical order, permit reference to the folios of the general register.

² Beside the repertoire, the collectors look everywhere for information which is likely to throw light on the financial situation of the *de cuius*.

³ The statute of limitation, which the parties have against the administration of the registration, runs for one year, two, five, ten or thirty years, according to the case.

THE COLLECTION OF REVENUES

The deputy inspectors,¹ four or five for each *département*, have the special function of revising page by page, without omission, the registers of the collectors, not making tests, but in a continuous way. All figures and calculations are made over again, step by step; all liquidations are revised; all investigations renewed, either in the bureau or outside, in public stores, in the offices of notaries public, of ministerial officers, etc.² Not only are errors, omissions and material mistakes thus necessarily ascertained, but discoveries are made of sources which have hitherto escaped. A deputy inspector is always bent on furnishing proof of his ability and of his zeal by making new discoveries.³ After having spent a longer or shorter period of time in each bureau, according to its importance—usually about a month—the deputy inspector officially gives the page of the register he has reached,⁴ in order exactly to limit the responsibilities and to enable either himself or his successor to know where to resume the work. The deputy inspectors, then, “revise without omission, and by complete periods or *régies*, the work of the collectors and proceed with outside verifications in the offices of ministerial officials and at the seat of the different societies designated by the law.”

The deputy inspector, whose verifications have duplicated the functions of the collector, is followed by the inspector, who has charge of controlling at once the two preceding agents. His functions may be defined as follows: “The inspector revises by testing the work performed by the collectors and the deputy inspectors and proceeds with important inquiries which are entrusted to him by the director.” There is on the

The
Deputy-
Inspector
Is Proved

¹ The deputy inspectors in former times had the more modest but still honorable title of examiners.

² “At the time when I entered the service,” said the director general, “the agents did not proceed at all with the verifications except in public depositories and in offices of ministerial officers; but since then the investigation of the agents of this administration covers all financial companies, all insurance companies, religious congregations, express companies, and a vast number of public depositories.” (Chamber of Deputies, February 18, 1888.)

³ At times, it is said, the collector, in order to get on the right side of the superior officer, betrays to him certain *découvertes* against himself, which are not too harmful, and which he has carefully concealed.

⁴ The portion of the operations verified by the deputy inspector is called a *régie*.

THE BUDGET

average one inspector per *département*,¹ with the exception of large centers, in which they are more numerous. Each inspector, during the 210 days spent regularly outside of his place of residence, and during the 155 days devoted to the locality of residence, visits almost 40 offices. He can, therefore, proceed only by making tests and by making his verifications shrewdly in such part of the service as gives ground for suspicion. The director general of the administration was able to state that even after the investigations of the collectors and of the deputy inspectors, this third revision was yielding considerable results. "Each inspector," he said, "costs the Treasury 6,500 francs on the average in salary, and recovers for the Treasury between 11,000 and 12,000 francs per annum." (Chamber of Deputies, Session of February 18, 1888.) The praise of the inspectors was repeated before the Chambers on the occasion of the increase of their salaries in 1912. (Session of November 14, 1911.)

The director of records—who is the chief of this service for the departmental district—can judge, from the statements and memoranda submitted to him by the collectors, the amount of zeal they display in the collection of the tax. By correspondence he transmits his observations and calls for explanations. In case of necessity, he inspects the bureaus of some of them.

The Departmental Director Commands the Inspector and the Deputy

From the departmental director's office emanate the orders for tours to be made by the inspectors and deputy inspectors; to this office are then submitted the reports of the superior officers only, to be communicated to the central administration there to be acted upon. Usually the directors of the registration, like their colleagues in other branches of the fiscal administration, correspond independently with the various authorities and with the central administration. As there is no superior accounting officer for the excise administration in the *département*, the director of registration absorbs the

¹ The commission on budget for 1888 suggested the reduction of the number of inspectors to seventy-two. According to this commission, one inspector could easily attend to the service of several *départements* in those sections of the country where the service is of little importance and where the communications are easy. Besides, certain inspectors in large cities, particularly in Paris, were deemed by the commission as superfluous. The Chamber had at first accepted the suggestion of its commission, but upon the advice of the Senate the total appropriation necessary for providing for the one hundred and two inspectors was reestablished in the budget for 1888.

THE COLLECTION OF REVENUES

accounting functions of his collectors and sums them up in a general memorandum (*Bordereau général*) intended for the *Cour des Comptes*.

DISTINCTIVELY CHARACTERISTIC FEATURES OF THE SERVICES FOR THE COLLECTION OF INDIRECT AND DIRECT TAXES

The service for the collection of direct taxes, as may be remembered, has no inspectors among its personnel.¹ Safeguards of another sort are in existence in connection with this service, particularly that of making officers responsible for the full amount of the rolls entrusted to them—they being compelled as a matter of duty to make up the uncollected sums with their own funds.

Paying
Officers
Personally
Responsible

As far as indirect taxes are concerned, the personal responsibility of the accountable officers, which is clearly set forth in the accounting code, becomes effective only when made an expressed condition. The decree of May 31, 1862, declares: "The accountable officers can obtain a release from responsibility by proving that they have taken all necessary measures and in proper time have taken all the required legal actions and steps against the debtors and the retailers." Article 325 adds:

"With regard to collectors of public funds—other than treasurers general, special collectors and collectors—there shall be drawn up, before the expiration of each fiscal period, schedules presenting the duties and proceeds still to be collected, distinguishing between the debts which must be charged against the taxpayers, and those which have to be levied against the following fiscal period, and those from which the collectors may have to obtain a release."²

¹ The special collectors of finances verify the service of their subordinates, either on the basis of accounting papers transmitted to them periodically or on the spot. Ministerial circular note of December 20, 1895, recommends that the treasurers general and special collectors verify personally the work of every collector at least once a year and proceed with a very careful examination of periodical documents submitted by the accountants. "Your financial responsibility," this circular note adds, "constitutes already the first and at the same time an efficacious sanction of the obligations of which I have just reminded you."

² The collectors of indirect taxes, who balance without exception during the closing three months of the fiscal period the whole of the

THE BUDGET

Excepting in cases of gross fault or malfeasance, the administration can always release the accountable officer, either by ordering a complete release (*décharge*) or by declaring an *indefinite extension* (*reprise indéfinie*), that is, a postponement of the auditing. The responsibility is not so strictly enforced as in the case of the direct tax. Other guarantees of a different character are substituted for this responsibility; these guarantees are composed of a series of controls and inspections which were described above.

Dissimilarity
Between
Direct and
Indirect
Taxes

The dissimilarity between direct and indirect taxes results, first, to a large degree from the dissimilarity of the taxable matters: on the one hand, we have permanent objects, visible and exposed to taxation by the fiscal administration; on the other, we have transient, mobile, replaceable objects, which have to be attacked quickly, or otherwise the fiscal administration runs the risk of not seeing them again.

Furthermore, the organization of their respective administrations has always been different. Under the old régime—while the collection of indirect taxes (*aides*), salt tax (*gabelle*), duty on imports (*traites*) was turned over to contractors who exploited the service with a view only to showing profits for their company—direct taxes, the villain tax (*taille*), capitation tax and land tax (*vingtièmes*), were under the direct control of the comptroller general of finances. Under the *Consulat* and under the Empire the ministry of the treasury performed the function of collecting direct taxes separately from the indirect taxes, which were administered by the ministry of finance.

Nowadays, the indirect taxes rest with the fiscal administrations, organized according to a uniform model, animated with the same spirit, each with a director general and an administrative council; on the other hand, however, we have agents collecting the direct taxes,¹ treasurers general, special fiscal agents and collectors, who are recruited and promoted in a special way and who are subordinated directly to the Minister of Finance.

droits constatés for the year, receive a premium (*prime d'apurement*). In order to get this premium, many accountants prefer to turn in, in advance, out of their personal funds, the arrears of taxes due from the taxpayers, in case they are not too considerable.

¹ The service of direct taxes, however, which has charge of preparing and making out the rolls, is subordinated, as it may be remembered, to a *direction générale*, which is analogous to the preceding one.

THE COLLECTION OF REVENUES

Therefore, let us not attempt to discuss the comparative merits of the procedures for the collection of direct and indirect taxes, because, on account of the essentially different features of each of these two kinds of taxes, the procedures could not possibly be similar. Let us ascertain, if possible, to what extent each accomplishes its purpose in France. We have already admired the promptness with which the direct taxes come in; we shall be surprised in no lesser degree by the way the indirect taxes are collected.

Direct and
Indirect
Taxes
Contrasted

If, in fact, we consult the *final accounts of revenues* (*comptes définitifs des recettes*), we shall see that the indirect taxes are balanced at the end of the fiscal period by 9,731,000 francs, which is a small sum compared with the ascertained total of about 650,000,000. An examination of the details of this shortage still further reduces its importance, because a large part of it results from the fact that municipalities postpone the payment of certain dues resulting from excise tolls (*droits d'entrée*); retailers postpone the payment of fines; railroad companies delay settling the last three months' period, etc. With regard to customs duties, there are, against more than 500,000,000 francs of collections, perhaps only 1,300,000 francs delinquent. This 1,300,000 francs is due entirely to fines and other transactions. As for registration, there is an arrearage of 712,470 francs against 700,000,000 of ascertained taxes (*droits constatés*). There is a shortage of 500 francs in connection with the stamp tax. Almost no delinquency occurs on account of the four per cent. tax. In brief, against 2,500,000,000 of indirect taxes, subject to collection, the closing of the fiscal period shows a deficit of only a few millions, the greater part of which can be explained and excused. Few countries can present so small an uncollected balance in the execution of the budget of revenues.

GENERAL INSPECTION OF FINANCES

While on the subject of the control of revenues, let us speak further of the general inspection of finances, although its functions include expenditures as well as revenues.

The general inspection of finances—growing out of the *general inspection of the Treasury*, which was organized in the year IX of the Republic, at the beginning of the Consulate—owes its origin to the Restoration. The latter, eager to re-

THE BUDGET

organize the administration of finances, as we have seen, well understand the benefits which would accrue from entrusting—

Duties of the Inspectors

“to a body of inspectors, composed of able men, the duty of auditing the public treasuries, of supervising the accountable officers in their various activities, of accelerating the collection of the revenues, of observing the possibilities for increasing the revenues, of pointing out defects and abuses, of suggesting appropriate measures for removing such defects and abuses, and finally of rendering, wherever there was need, the support of its services and the aid of its own experience.” (Account of the Royal Treasury for 1816, report of the Minister.)

Each fiscal administration in former times had its own body of inspectors general.¹ On the basis of the report of November 29, 1815—which was submitted by the director of the general accounting division (*comptabilité générale*) to the Minister—the inspectors of finances were given charge of the audit of the treasuries (*caisses*) and of examining the accounting work of the agents of fiscal administrations. This was done for the purpose only of extending the functions of the inspection of finances, in order to justify the maintenance of the existing number of inspectors, in spite of the losses of territory suffered by France. On April 3, 1820, however, the minister gave the order to the agents of fiscal administrations of all grades to supply the inspectors and deputy inspectors of finances with all the information which they might need *on the situation of the various branches of the service*; notwithstanding the fact that special inspectors of fiscal administrations were still in office, conflicts resulted—at least in duplication of work. Only between 1821 and 1824 was it decided to abolish in each fiscal administration the body of special inspectors; this gave to the general inspection of finances the exclusive charge of verifying henceforth the work of the agents of all branches of the service of the ministry of finance. This unification coincided with the unification which de

¹ *Notice sur l'inspection des finances*, attached to the book under the title: *De l'organisation des administrations financières et de leur existence politique*, by Pagart, Deputy Chief of the Administration of Registration, Paris, May, 1848. The author would like to see the old-time special inspectors of excise (*inspecteurs spéciaux des régies*) reestablished.

THE COLLECTION OF REVENUES

Villèle introduced in the bureaux of materials, pensions, the accounting system, and in the installation of the fiscal administrations, as explained in Chapter III.

In 1830, the general report on the finances submitted to the King by M. de Chabrol, read in part, extending congratulations on having secured—

“the coöperation of a body of inspectors formed of well-instructed men, commissioned to exercise in the interior of the country a continuous supervision over the numerous agents and over the various parts of the service of finances, to inform the Minister by prompt and direct reports, to render everywhere the assistance which their experience warranted, and to facilitate the control of every branch of the superior administrations by making local verifications.”

Supremacy
of the
Inspectors

These quotations show to what extent the merits of a general inspection of finances were appreciated and permit the definition of the nature of these services, which may be summed up as follows: general supervision on the spot over all agents subordinated to the ministry of finance, and over accountable officers subordinate to other ministries; special missions of control over establishments which have anything to do with the finances of the State, or which are bound to the State by contracts.¹

In order to perform the functions of verifiers of the work performed by agents of the ministry of finance and by the various accountable officers, the inspectors of finances make an annual tour of six and a half months, from May to November 15, all over continental France, which is divided for this purpose into ten districts.² Each district is covered by a division of inspectors under the direction of an inspector general.³ The inspector general, who, for three successive years

France
Divided
Into Ten
Districts

¹ The inspection of finances has charge of verifying the services of post and telegraph, of hospital establishments, of institutions of superior instruction, of savings banks, stud farms, of various agricultural establishments, etc. It also verifies the accounts of large railroad companies and other companies, establishments, syndicates, and corporations which are bound to the State by treaties, contracts, conventions or guarantees of interest, etc.

² Algiers forms a special tour, which involves a prolonged sojourn.

³ See ordinance of March 28, 1842, issued upon the suggestion of Minister Humann.

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has charge of the same route, must, during this period, examine as far as possible all branches of the service under him.

In each case, a certain number of agents, selected by test, must undergo examination by the inspectors; the control affects in a positive way only the departmental or district chiefs, who recapitulate in their reports the work of their subordinates, for whom they are responsible. When each examination is finished, the inspector incorporates his observations in a special report, which is communicated to the agent to whom it refers; the latter replies to the criticisms, a column having been reserved for that purpose. The chief of the service gives his opinion in another column. The investigation, therefore, has the characteristic result of always being contradictory. Finally, the inspector general annotates in the last column the observations of his collaborators, the replies of the agent whose work was verified and the entries made by the chief of the service. The summary of reports relating to each *département* or district is in turn submitted to the Minister, accompanied by a general report, outlining the principal facts which have been ascertained, with suggestions of reform and improvement.

The Inspection Hierarchy

The division of inspection is composed of inspectors general, inspectors divided into four grades, and assistants, in total, ninety-seven agents; this personnel is small and a portion of it is kept busy by annual tours made for the purpose of checking up the railroad companies and other corporations and establishments; but it is still sufficient to maintain the superior control over the financial organization of the country. Its effectiveness does not lie in the number of its members; it results from the spirit of rectitude, devotion to work and independence of judgment. Due to the fact that this is a picked body of officers, the rule coming from the capital is uniformly enforced all over the country, without red tape and without deviation.

CHAPTER XXII

THE CONCENTRATION OF REVENUES IN THE TREASURY

The Collection of Funds: Details of Making Collections; The Three Functions of the Special Collectors.

Concentration of Funds by the Treasurers General: The Treasurers General Carry Accounts; The Old Plan of Reciprocal Interest; It Was Abandoned in 1887.

Uses of the Funds of the Treasury: Order in Which Accounts Are Paid; Three Methods of Paying; The Rôle of the Bank of France: Its Relation to the State; The Bank Transfers Funds.

The revenues which flow into the treasuries of the various collectors of direct and indirect taxes do not remain there for any length of time. By a wise precaution, the administration recommends that the accountable officers turn over their collections within the shortest possible time. Every eight or ten days—even at shorter intervals in cities, and, at least once a month in rural districts—collectors turn over the funds paid in by the taxpayers to the special collectors,¹ the agents of the administrative division of which the treasurer general is the departmental chief.

COLLECTION OF FUNDS

The collectors turn the funds over to the special collector's office by reason of the fact that it is in the direct line of authority. But, on the same ground, it could very well be supposed that the collectors of indirect taxes and customs officers would turn their funds over to their superior accountable officer, the chief collector. In order to avoid a useless detour, however, they turn their funds directly into the office of the special

¹ The title of the special collector of finances is applied in this connection in its generic meaning not only to the special collectors themselves for the district of the *sous-préfecture*, but also to the treasurers general who perform the functions of the special collector for the district of the capital.

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collector of finances; the receipt issued by the latter is the only thing they submit to the chief collector, together with the memoranda and the accounts substantiating their receipt. The chief collector turns over to the collector of finances the amount of his own fiscal collections and the proceeds of his sales of monopolized products, in case he is a bonded store-keeper.

As far as the registration is concerned, the collectors go direct to the special collector's office, because there is no intermediate officer of their own administration in whose hands the funds can be centralized. The collectors of posts and telegraphs, as subordinate agents, also turn in the total amount of their collections.

. *Details of Making Collections:* All collections, regardless of their source, in every district, enter the treasury of the special collector, who gives to each person who turns in money a counterfoil receipt. This receipt—in order to be valid and constitute a claim against the Treasury, according to the law of April 24, 1833,¹ had to be signed and detached from its counterfoil by the prefect or the sub-prefect within twenty-four hours. This provision was abrogated by the law of December 24, 1886, because the officers of the prefecture or of the sub-prefecture were not always on hand to execute their *visés*; hence the control worked badly and at times caused a deal of trouble to the parties trying to obtain such signature. The counterfoils are now kept at the collector's office, and are later turned over to the public accounting bureau. The loose-leaf is handed to the party making the payment.

The Three
Functions
of the
Special
Collectors

After the accountable officers receiving money have thus duly turned over their collections, we need bother with them no longer, as their function is terminated. We must now follow the funds deposited in the collector's office until they reach the central Treasury. Let us begin by specifying the hierarchical position of the special collectors, who are the first to receive these funds.

¹ The control organized by the law of April 24, 1833, already provided for, however, by the decree of January 4, 1808, and by the ordinance of November 18, 1817, which fell into disuse, was caused by the "deplorable abuse of confidence discovered in the beginning of 1832," avowed the deputy submitting the law of 1833; this deplorable abuse of confidence is known under the name of the *Kessner deficit*.

CONCENTRATION OF REVENUES IN TREASURY

In each district there is a special collector of finances;¹ in the capital of each *département* the treasurer general performs these functions. The usual functions assigned to the special collectors to be performed for the State² are these:

1. As has been stated, they bring together in their Treasury the revenues turned in by the various accountable officers who collect direct and indirect taxes, the collectors of posts and telegraphs, etc., within their districts.³

2. They supervise and direct the work of the collectors (*percepteurs*) and are responsible for the turning in of direct taxes in their districts—also explained above.

3. They execute orders for the purchase and sale of bonds coming from the public and serve as agents for bearer bondholders in transferring and reissuing of bonds to order or to bearer.⁴

Aside from these three special functions, they have only a subordinate position. The decree regulating this, issued on March 31, 1862, declared:

“Article 333. The special collectors perform their functions under the supervision and the direction of the

¹ The Chamber of Deputies having in 1888 manifested its desire to come finally to the complete abolition of special collector's offices, twelve disappeared immediately in August and September through extinction; successively about thirty shared their lot; all that was necessary was to continue in the same way. But, “because of reclamations by interested parties, which were partly justified,” says a ministerial report of March 24, 1896, this measure was repealed, and a decree of the same date reestablished the institution in its entirety, abolishing the collector's offices in capital cities of the *départements*.

² The special collector, in addition to the functions performed for the State, has the functions of an agent of the *Caisse des Dépôts et Consignations* in the district; he also verifies the accounts of the municipal budgets, of hospitals, of syndicates; he supervises the savings banks, collects the proceeds of *départements*, etc.

³ The special collectors occasionally collect the taxes on inventions, on the school money of the pupils of military schools and of the naval schools, of the contributions signed by the *départements*, the municipalities and by private individuals, etc.; all these are directly turned over to the special collectors.

⁴ It seems that the service of purchasing of bonds suffered most from the reform which was intended to abolish the collectors of finances.

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collector general¹ of the *département* to whom they report. Article 336. The collectors general dispose of the funds collected by the special collectors either by turning them over to the general collector's office, by using them on the spot, by authorizing the collectors to keep them in their hands or by using the funds in some entirely different way required by the needs of the service."²

In a word, the special collectors are but agents³ of the treasurer general. Therefore, only in connection with the treasurers general—who are responsible to the Ministers of Finance and to the *Cour des Comptes*—can the details of the service of the special collectors and of the concentration of funds properly be described.

CENTRALIZATION OF FUNDS BY THE TREASURERS GENERAL

Article 336, of May 31, 1862, just quoted, shows to what extent the treasurer general considers the collections made by his subordinates his own and disposes of them at will. The treasurer general, however, does not use them for his own account. The funds which he handles belong to the State, and he brings together these funds only for the purpose of transmitting them to the State. Let us see, first, the connection between the treasurers general and the Treasury.

The treasurers general keep a current account (*compte courant*)⁴ with the Treasury; each entry of revenues and of

¹ Collector General is a title which was once borne by the treasurers general.

² The decree of May 31, 1862, adds, furthermore, in its Article 333, that the collector general is accountable for the work of the special collectors both to the administration and to the *Cour des Comptes*.

³ The law of the 27th Ventôse, of the year VIII of the Republic, which established a special collector of finances in every *arrondissement* gave them the place of the oldtime revenue agents (*Préposés aux recettes*), who were the agents of the collectors general and were appointed by the latter.

⁴ We speak in this instance of the *Current account of the Treasury* (*Compte courant du trésor*) with the treasurers general, which account is debited and credited with all the public revenues and expenditures which were collected respectively disbursed by them. Another current account called the *Current account of the treasurers general* (*Compte courant des trésoriers généraux*), which is one of the elements of the floating debt, shows especially the advances which the treasurers general deposit out of their personal funds with the Treas-

CONCENTRATION OF REVENUES IN TREASURY

expenditures is daily credited or debited to this account. This is a simple but substantial and positive link by which the treasurers general are bound to the Treasury. "The treasurers general are connected with the Treasury by the link of a current account in which they are debited with all revenues and credited with all expenditures which they take in or disburse for the account of the Treasury and for the latter's correspondents." (General instruction of 1859, Article 802.) Owing to this elementary instrument, the Minister of Finance finds himself *ipso facto* in possession of all the funds collected on French territory; he enters into immediate possession of them because he can move at will the available balances as soon as a memorandum of their amount is submitted to him.

The
Treasurers
General
Carry
Accounts

In former times, the current account was debited with the interest charged to the treasurer general. The revenues were collected and credited with interest to his own account after the payment or the turnover of funds was completed. This constituted what the general instructions called the current account at *reciprocal interest* (*intérêts réciproques*) the combinations of which yielded a premium to the treasurer general when he paid over his funds to the Treasury; and on the contrary inflicted a penalty on him, under the form of interest to be charged against him, in case he kept the collections without investing them. These alternating stimulants have constantly kept him on the alert, compelled him to exercise his wits in order to discover the most lucrative investments for his available funds, which investments were of necessity liquid, in order that, when demanded, the Treasury could be paid. "Through this accounting formula, taken from commercial practice, the public interest and the interest of the treasurer general are constantly connected with each other, because every slackening of the work of the State would make both of them suffer an equal damage," said the Marquis d'Audiffret, in his *Système Financier de la France*.¹

The Old
Plan of
"Reciprocal
Interest"

ury. Nothing is easier than to become confused in the course of a discussion of these two current accounts which are, however, very different from each other.

¹ The Marquis d'Audiffret, who was very fond of eulogizing a form of accounting of which he was partly the author, said in his *Souvenirs sur le baron Louis*: "The personal interest of these important depositors of public funds constantly causes them to supply all the funds of their treasuries for all possible needs."

THE BUDGET

It Was
Abandoned
in 1887

The system of the current account, with reciprocal interest and with periods of valuation in the middle or at the end of each tenth, has caused many abuses,¹ however, and it was therefore abolished in 1887. In its stead, the Minister of Finance introduced a new method of remitting, calculated on an agreed basis, according to a special rule applied to each treasurer general's office. (Order of December 31, 1886.) Then this intermediary system of *remittances against the revenues and expenditures* ceased to exist and by ministerial order of December 31, 1889, was definitely replaced by fixed salaries, as we shall see later.

Although the system of reciprocal interest disappeared, the current account did not cease to exist. It is the latter which puts the revenues in the hands of the treasurers general at the disposal of the Treasury as they are collected. The only difference lies in the fact that now this current account is kept only as to *the principal*.

USES OF THE FUNDS OF THE TREASURY

The funds which the current account puts at the disposal of the Treasury may have various destinations.

Order in
Which
Accounts
Are Paid

First, before using them for any outside purpose, the treasurers general must reserve for themselves the amounts necessary for the payment of public expenditures as soon as they fall due within their own *départements*. For this purpose, the secondary *ordonnateurs* (drawers of payment vouchers)

¹ According to the system of the *periods of valuation* (*époques de valeurs*), interest on the current accounts instead of beginning to run from the exact date of every operation ran only from the middle or from the end of every tenth. The result was that a treasurer general notified in time, and as far as he could find means of anticipating the falling due of expenditures or the postponing of the entering of revenues for a few days only, easily made a profit of interest for ten days.—“There is a mechanism and a perfectly wonderful one,” said one of the deputies ironically, “which is called the mechanism of the periods of valuation.” The *Minister of Finance* replied: “This no longer exists.” The deputy in turn added: “I admit that this procedure has been most oddly attenuated; but this procedure was working not later than yesterday.” (Session of February 16, 1888.)

A report of Senator Pauliat, on the functions of the treasurers general (July 11, 1889), explains in detail the means used by the treasurers general for deriving a profit through more or less abuse of the ten-year periods of the old current account at reciprocal interest. (Pages 103 to 108.)

CONCENTRATION OF REVENUES IN TREASURY

of the district notify them by periodical statements as to the figures and the dates when payments will be due. The bureau responsible for the transferring of funds, as will be explained in Chapter XXIV, publishes a *notice of assigned appropriations* (*avis de crédits délégués*), within the limit of which the payments must be kept. Besides these local needs, the available balance is used for one or the other of the following two external uses.

In the first place, the treasurers general hasten to transmit to their colleagues of neighboring *départements* the subsidies demanded by the latter. These transfers of funds from one colleague to the other can take place only upon authorization by the bureau for the general transfer of funds. Furthermore, in the majority of cases the surplus of collections is directly turned over to the Treasury, according to three different procedures. Either the funds intended for the central Treasury in Paris are actually sent there—an old and costly system no longer practiced except by collectors in the neighborhood of Paris—or the transfer is effected by a remittance to the central cashier of specified securities payable in Paris; or finally, as is most frequently the case, the payments are made to the branches of the Bank of France for the account of the Treasury.

Three
Methods of
Paying

The Rôle of the Bank of France: The Treasury has a deposit account in the Bank of France like any private individual, according to the charter of the Bank, and no special agreement has been necessary to permit the State to avail itself of this privilege. Different agreements, however, have regulated, not the mechanism of the current account, which remains subject to the provisions of the civil law, but the amount which the Bank must turn over to this account as an advance.¹ The State—being a customer of exceptional importance, and above all the holder of the very source of the franchise—has obtained from the Bank on the occasions of renewing its contract special privileges, consisting of advances of funds in the total of 140,000,000 francs (laws of 1875 and 1878), 40,000,000 (law of November 17, 1897)² and 20,-

Its Relation
to the State

¹ See on this subject the issue of July 15, 1889, of the *Annales de l'école des sciences politiques*, which contains an interesting article by M. Chardon, at that time auditor of the *Conseil d'Etat*, under the title "Rapports de la Banque de France et du Trésor."

² The law of November 17, 1897, renewed the franchise of the Bank

THE BUDGET

000,000 (law of December 29, 1911)—a grand total of 200,000,000 without interest. Moreover, payments and drawings by accountable officers can now be made not only at the branches but also at the *agencies*—almost two hundred places.

The Treasury, therefore, holding a current account of its own, causes the making of credit and debit entries against this account either in the central office of the Bank of France or by transfers at the branches and agencies for all the payments or drawings of funds which are demanded for the Treasury's service; the treasurers general and collectors of finance¹ deposit at once the greater portion of their collections with the Bank at their places of residence, and, conversely, in case they need funds they demand them of the Bank, upon authorization of the bureau for the general transfer of funds.

Thus, the Bank of France does most of the transferring of the Treasury's funds. The Bank receives from all over France the surplus collections made by the accountable officers and instantly puts this surplus at the disposal of the State, which through its intermediary immediately shifts these funds wherever there is need.

The Bank Transfers Funds

"The Bank of France has, to the largest possible degree, the complete charge of the transfer of funds. To its vaults are turned over on a single current account of the Treasury all the surpluses of revenues available over the entire country. From the Bank of France also are drawn such sums as are necessary for making up the deficiency of the collections for a given day or in a given locality. . . ." (Statement of supporting arguments for the plan of renewing the franchise of the Bank, January 24, 1891.)

of France until December 31, 1920, by imposing on the bank the following obligations: 1. Dues calculated according to the discount rate and the figure of productive circulation, but 2,000,000 at the minimum; 2. advance of from 140,000,000 to 180,000,000 bearing no interest; 3. gratuitous payment of the coupons of the bonds to the bearer over the counters of the bank which issues the Treasury bonds; 4. opening of agencies besides branches for the shifting of the funds of the Treasury; 5. part of the proceeds of the discount over 5 per cent is given over to the State.

¹ The two hundred places of business open for operations to the agents of the Treasury give to many special collectors the opportunity of availing themselves of the coöperation of the Bank of France; the same is the case with the treasurers general.

CONCENTRATION OF REVENUES IN TREASURY

This account of the Treasury with the Bank, which is permanently working, shows a yearly total of revenues and of expenditures of more than 12,000,000,000 francs.¹ The daily credit balances range from 100,000,000 francs to 200,000,000 or more, according to the period.²

Even if the Bank of France is not as yet in our country the official cashier, as similar institutions are in some other countries, it still performs at least one of the most important functions for the State. This subject will be dwelt upon in the next chapter.

¹ These operations, in 1891, reached the figure of 9,634,000,000 francs; in 1894, 7,333,000,000; in 1896, 6,202,000,000; in 1904, 8,940,000,000, and 1907, 9,094,000,000; in 1911, 11,700,000,000.

² Hereinafter are given the credit balances of the current account of the Treasury with the Bank of France for the most important years during the last century:

September 22, 1806,	7,400,000 francs
December 24, 1816,	300,000 "
December 24, 1817,	1,400,000 "
December 24, 1828,	19,300,000 "
December 24, 1830,	3,000,000 "
December 24, 1847,	69,400,000 "
December 23, 1848,	21,800,000 "
December 24, 1852,	139,800,000 "
December 24, 1869,	231,400,000 "
December 24, 1870,	9,070,000 "
December 24, 1872,	282,500,000 "
December 26, 1890,	188,000,000 "
December 21, 1911,	293,600,000 "
October 24, 1912,	315,479,000 "

CHAPTER XXIII

THE TREASURY SERVICE

The Treasurers General, Their Duties.

The Institution of the Treasurers General: It Dates from the Consulate; Outline of the History of French Finances: Long- and Short-Time Bonds; Usurious Rates Under the Directory; The *Négociants Réunis*; Napoleon Frees the Treasury; The Deposit of Funds; Duties of the Collectors General; Organization of Treasurers General; The Floating Debt; A Treasurer General's Activities; They Act in Individual Capacities; This Dual Rôle Objectionable; Marquis d'Audiffret Defends It.

Reform of the Office of the Treasurers General: Proposal to Fix Salaries; Modified Plan for Salaries; Legislative Struggle Over the Reform; Cash Results of the Reform; How the Economies Were Effected; Proposed Reforms; Objections to Proposed Reforms.

The Treasury in England, in Germany and in Belgium: Functions of the Bank of England; It Receives Deposits, Etc.; The *Reichsbank*; National Bank of Belgium; In Belgium the State Profits.

The
Treasurers
General,
Their
Duties

The preceding chapter concerned itself with the treasurers general from the point of view of concentration of funds. It is now in order to consider their functions as a whole, which may be summed up as follows: "The treasurers general, in each *département* direct the service of special collectors and of collectors for whom they are responsible; they bring together the revenues, shift the funds of the Treasury, and disburse the public expenditures." Here are four distinct functions: 1. Management of the service of collecting direct taxes; 2. centralization of public revenues; 3. shifting of the funds of the Treasury; 4. disbursement of public expenditures.

The matter of collecting the direct taxes has been described *in extenso* in a preceding chapter. The concentration of public revenues has just been treated in Chapter XXII. The shifting of funds will be treated in this and in the next chapter. A special chapter is devoted to the service of expenditures, which has been assigned to the treasurers general since the abolition of paymasters in 1865.

The combining of these separate functions will reconstitute the office, when we have completed the historical outline from

THE TREASURY SERVICE

the time the title of banking-agents characterized these representatives of the Treasury.

THE INSTITUTION OF THE TREASURERS GENERAL

The organization of the current accounts of treasurers general, mentioned before, dates back to 1806, or, in a word, to the time when Napoleon rid himself of the *agents of the service* (*faiseurs de service*) and substituted for them a new administrative mechanism.

With the organization of the *Consulat*, for the purpose of reëstablishing order in the finances, as well as of obtaining necessary funds for urgent needs, the collectors general were requested to sign monthly agreements at the beginning of the fiscal period which corresponded to one-twelfth of the total set out in the rolls. In order to offset anticipated difficulties in the collection, the dates on which these *douzièmes* were due were extended four months. The collectors general, therefore, paid in sixteen months what strictly speaking was due to be paid to them by the taxpayers in twelve months; this gave them a margin of time which not only permitted them to treat the public with consideration, but which above all gave them the chance to earn large interest dividends. On the other hand, the Treasury had the advantage of having in hand from the beginning of the year the total amount of its direct tax—or, in other words, the use of 300,000,000 francs out of a budget of about 500,000,000.

It Dates
from the
Consulate

Outline of the History of French Finances: With regard to indirect taxes, the *sight bonds* (*bons à vue*) served an analogous purpose. The only difference was that instead of being subscribed for in advance, the sight bonds were issued after payment. The accountable officers benefited only by the delay between the date of issue and the date of payment.¹

The various securities subject to discount were actually discounted, as soon as subscribed for, by a group of bankers and contractors called the *agents of the service*. The sight bonds easily found buyers, because of their early maturity. Long-time obligations, however, were placed with difficulty, in spite of their being based, first, on the guarantee of the collectors general, who nearly always made good their signatures, and

Long- and
Short-Time
Bonds

¹ The system of the sight bonds was soon changed by the decree of June 21, 1804, and disappeared in 1806. See our *Histoire des Finances du Consulat*.

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on the sinking fund, established in 1779, which was the depository for the bonds of accountable officers and had to pay on sight certain specially protested claims.

Usurious
Rates
Under
the
Directory

In spite of these guarantees, the security of which was almost unquestioned, usurious rates—varying from one per cent, $\frac{3}{4}$ per cent, $\frac{1}{2}$ per cent per month, or 12 per cent, 9 per cent, or 6 per cent, per year—were demanded and obtained by the oldtime speculators of the Directory. In order to emancipate himself from this oppressive régime, the Minister of Finance entrusted, first, a committee of the collectors general to discount the securities issued by its members and their colleagues. This committee, however—although the depreciation of its own securities made possible its reaping an easy profit—failed through lack of courage and capital to avail itself of the opportunity.

The
*Négociants
Réunis*

Then a company,¹ *Négociants Réunis*, offered to monopolize the operations of supplying the Army and Navy, as well as to attend to the transfer of funds for the Treasury; to this company, also, Minister Barbé-Marbois entrusted the mission of supplying the [cash needed to meet the requirements of the] budget, by discounting the obligations of the collectors general, the sight bonds, the customs duties, the proceeds from cutting the forests and other securities. As against these advances made by the company the treasuries turned over to it funds in the sum advanced and soon even exceeded that total, for coincident with its main enterprise various speculations failed of returns, and the most important of these, that of the Mexican piasters,² failed sadly. Being short of money, the

¹ The company of the *Négociants réunis* was composed of Desprez who had special charge of discounting the securities of the Treasury, Vanlerberghe who had charge of supplying food-stuffs, and finally of Ouvrard whose adventurous career remained famous. Ouvrard reserved for himself the large speculations. It was he who, through his boldness, compromised the interests of the company and caused its failure. The first agreement made with Barbé-Marbois, Minister of the Treasury, with regard to negotiating the securities of the Treasury and signed by Ouvrard in the name of his colleagues bears the date of April 1804.

² These so-called *piaster transactions* were based on the following combinations: as a result of the naval wars and of the domination of England over all the seas, the money which Spain ordinarily collected from its possessions in Mexico and in Peru no longer reached Europe. The scarcity of cash which resulted from this caused great damage to the commerce of all the nations. Ouvrard obtained from the Spanish Government a contract, by virtue of which it sold to Ouvrard

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company discounted at the Bank of France the obligations of the collectors general, which it held, still continuing, however, to appropriate the money collected by it from accountable officers. Finally, on the maturing of the obligation, the Bank found its collateral to be worthless. This large institution [the Bank of France] avoided bankruptcy only by means of petty expedients, such for example as counting one by one the pieces of money paid out, by paying only one bill from each individual, by distributing previously in the town halls the serial numbers, etc.; thus only from 500,000 to 600,000 francs were permitted to be withdrawn from the Bank per day. (October, 1805.)¹

Napoleon, who returned to Paris after the victory at Austerlitz,² to put an end to these disorders, compelled the agents

Napoleon
Frees the
Treasury

the piasters retained in Mexico at 3.75 francs, while the piasters were worth 5 francs each in Europe. In order to bring them to Europe, Ouvrard hoped to elude the vigilance of English cruisers or even to obtain a permit for transit from Pitt on account of the benefit which the English commerce would derive from such an importation of ready cash. He made an agreement on the subject with some Dutch business houses and his ingenious plan almost succeeded. However, the troubles in Europe and the difficulty of the negotiations delayed the carrying out of the plan, and before the piasters could be brought from Mexico, the need of money had brought all these combinations to naught. His genius succeeded only in filling the Spanish Treasury by means of advances resulting from the funds which were on hand at the offices of French accountable officers. Napoleon said later: "I see what the whole matter is about: Spain owed me a subsidy and it was I who furnished her with one."

¹ In his general account of the Public Treasury submitted on April 15, 1806, Mollien cites in the following words the events relating to the failure of the *Agents of the Service* (*faiseurs de service*): "I have to perform a painful duty, Sire, by revealing the maneuvers by which some adventurers who, combining the title of bankers with the Treasury and the title of contractors, have abused for more than a year the confidence which was placed in them. . . . It was not for the purpose of helping the Treasury of France that these agents of the service flooded the country with securities; on the contrary, they used these papers which they had in hand through the confidence the Treasury placed in them for speculations and for services which were entirely foreign to the Treasury of France . . . ; they have finally reached the top of their shortcomings by a debt of more than 100,000,000 to the Treasury; they covered this debt by substituting for the proceeds of taxes which were at their disposal foreign securities which can only be disposed of with much difficulty. . . . The trace of this moment of disorder, however, seems to be already expunged, Sire." (General account of the Public Treasury for the year XIII, April 15, 1806.)

² Napoleon said in November 1805: "Before fifteen days have elapsed, I shall beat the Russians, the Austrians and the bears."

THE BUDGET

of the service to turn over all their cash to the State and dismissed Minister Barbé-Marbois, assigning him to the *Cour des Comptes*. (January 9, 1806.) Mollien¹ became his successor. As soon as the deficit of the *Négociants Réunis* was settled—amounting to 141,000,000 francs (which was later much reduced)—the new Minister, together with the Emperor, immediately devised a way definitely to rid themselves of the interference of the bankers. Out of this idea the new organization of the Treasury was developed, which Napoleon characterized as follows, at the time Mollien submitted the decree of July, 1806: "I could not sign too soon the liberation of the Treasury." As a matter of fact, the decree of July 16, 1806, carried with it the liberation of the Treasury; by emancipating it from outside intrusions the decree deemed it best to organize in the midst of the administration of finances an institution of banking officials (*fonctionnaires-banquiers*).

By virtue of the decree of July 16, 1806: (1) A service fund was established within the Treasury the object of which was to provide the means for meeting the expenditures of the *départements* with the greatest possible dispatch; (2) this service fund was established for the purpose of "opening current accounts with all the collectors general" (Article 4).

The
Deposit
of Funds

Henceforth, the collectors general ceased to invest on their own initiative the surpluses of revenues; the only thing permitted—and in this they were encouraged—was the depositing of the funds with the Treasury on current account. All incoming monies flowed immediately into the Central Treasury. "The Treasury," said Mollien, "has promised the collectors general interest on the amount which they shall pay in advance, for the period determined by their engagements." Mollien further added: "But they have to turn in their collections each day."² In his memoirs, he praised the economy of this reform:

"The purpose of this reform was not to leave funds idle in any of the treasuries, but to prevent the removal of cash, and in a word, to introduce into public affairs

¹ The *Mémoires d'un ministre du Trésor* contained the detailed account of the scenes which preceded in the Tuileries, in January 1806, the retirement of Barbé-Marbois and the appointment of Mollien.

² The accountable officers were also authorized to turn over their funds to the service fund in bills of exchange on Paris or any other locality where the payment of expenditures necessitated the sending of subsidies.

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the system of compensation by which business life regulates its transmissions of money over the longest distances." (*Mémoires d'un ministre du Trésor.*)

In another place he says:

"The service fund completes the relations of the Treasury with all the accountable officers; this fund brings into the public Treasury the proceeds of direct taxes even before the date fixed by the subscriptions and the engagements of the collectors general. . . . Thus this fund induces accountable officers in their own interest to accelerate their payments to the Treasury." (General account of the Public Treasury during the year XIV [1806], August 30, 1807.)¹

Recapitulating: The administrative conception of a collector general has assumed that of a sort of banking official (*fonctionnaire-banquier*) who has charge, at his own risk, of collecting the taxes and concentrating the funds in his *département*. The service continued to be farmed out to him, so to speak, within the limits of his district. He was compelled to deposit his funds without exception in the Treasury, through the intermediary of the service-fund, which paid interest as a remuneration to the collector general.²

This is the origin of the service of the collectors general. If we have emphasized the historical details, it is because of the fact that the character of the institution, established in 1806, has continued to the present time with the exception of the following changes:

The orders of Baron Louis, dated November 7 and Decem-

¹ The *Mémoires d'un ministre du Trésor* quote, as is only natural, a large number of citations from official reports, which were placed at the head of annual general accounts submitted by Mollien.

² At the time he emancipated the Treasury from the interference of the bankers, Mollien introduced in the records of the agents of his ministry a system of accounting which is partly double, taken from commercial life. The report which precedes the general account of the Treasury for the year XIV contains, on the subject of this innovation, very interesting and remarkably well expressed details. The phrases of this report have been often reproduced without any indication of the origin. This reproduction was done in documents which have since attempted to explain the mechanism of the partly double accounting system, particularly in Article 1440 of the general instruction of June 20, 1859. See its text in Chapter XXVII.

THE BUDGET

Duties
of the
Collectors
General

ber 9, 1814,¹ provided for the abolition of the underwriting of direct taxes,² beginning with January 1, 1815. "From this time on, the current account had as a basis only the material facts of revenues and expenditures at the moment of their execution."³ Then, only the *current account of the treasurers general* came into existence; it is a system of advances by virtue of which the treasurers general were authorized to drain the special savings of their *départements* in order to pay them into the Treasury.

Let us note the ordinances of December 8, 1832. These re-drafted the old regulations on the responsibility of the accountable officers. Let us, furthermore, take notice of the law of April 24, 1833, already quoted, with regard to the control of the counterfoil receipts; and finally, the combination accomplished by Achille Fould, in 1865, of the functions of the collectors general with the functions of the paymaster in the hands of the paying treasurers general, in conformity with the following text:

"Article 1. The functions of the collector general and of the paymaster in each *département* shall be combined and entrusted to an official who shall have the title of paying treasurer general. Article 2. These treasurers general shall succeed the collectors general and the paymasters in all their rights and obligations." (Decree of November 21, 1865.)

The old-time functions of the collectors general and of the paymasters were thus concentrated in the hands of the new officers, with no change; and the Marquis d'Audiffret, if living, could see with a certain amount of pride—which, by the way he did not try to conceal—that his work had lasted for almost a century.

However, it has caused sharp criticism:

Organiza-
tion of
Treasurers
General

"The present organization of the treasurers general is an anachronism, because the State now enjoys a credit

¹ Until 1814, we can cite only the regulation of July 30, 1806, which follows closely the decree of July 16 and concerns the latter's execution; also the decree of January 4, 1808, and the circular note of July 25, 1810.

² The sight bonds disappeared after 1806. The reform introduced in that year by virtue of its very nature, no longer involved any necessity for their existence.

³ The portion reserved by the agreements has entered into the current account proper.

THE TREASURY SERVICE

far superior to the credit of its agents. Therefore, what is the use of perpetuating the existence of accountable officers who use the funds of the Treasury just as banks would, who profit by the incoming taxes and by the disbursing of public expenditures, who personally loan to the floating debt what they collect from the taxpayers? The memory of the past and selfish interest alone uphold this worm-eaten structure."

The recriminations ending with the reform of 1889 were directed against the character of banker, abnormally attached to the title of these officers. This character of banker manifested itself and still manifests itself in the following combinations:

We have seen, in Chapter XI, that there exists in the floating debt, on the side of resources, the current account of the treasurers general which has received, since the beginning of the Restoration, *special funds* (*fonds particuliers*). The amount of these special funds, until recently, in order to supply the floating debt, had to equal,¹ at least for each treasurer general, the amount of the latter's bond. In fact, this fund formerly averaged much higher,² particularly when a large interest return rewarded such advance:³ the level of the current account of the treasurers general now runs only from 35,000,000 to 40,000,000 francs,⁴ since the rate of interest

The
Floating
Debt

¹ This rule has ceased to be in force. The amount of the advances, says a circular note of January 1889, can henceforth be smaller than the amount of the bonds. This circular note states at the same time that for several years the Administration no longer observed the old provision dating back to 1836.

² The regulation minimum advance, equal to the amount of the bonds, did not exceed the sum of about 28,000,000. The surplus, between 50,000,000 and 100,000,000 was automatically deposited by the treasurers general, because they derived a profit from it.

³ The rate of interest allotted to the advances amounted in former times to 3½ per cent on the total of the deposits. Then in the last years a decrease in tariff was inaugurated at the suggestion of the commission on budget. Nowadays, as has been said, the uniform rate has been reduced to 1.25 per cent by virtue of the amendment brought in by Magniaudé (discussion of the budget for 1902) and was increased to 1.75 per cent in 1904.

⁴ The figure of the current accounts of the treasurers general amounted to 17,392,000 francs in 1816; to 119,000,000 in 1875; 107,000,000 in 1876, and 100,000,000 in 1878. (These are the average amounts of the year.) Nowadays, according to the latest statements, this figure reaches no more than 50,731,000 francs (June 1, 1889);

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has been reduced successively to 2 per cent, 1.75 per cent, 1.50 per cent, 1.25 per cent by the decisions of 1899, 1900, 1901 and 1902. In 1904, however, the rate was increased to 1.75 per cent, always with a view to supplying the floating debt with funds.

A Treasurer
General's
Activities

But, regardless of whether it is a question of 100,000,000, 50,000,000, or 40,000,000, it would be wellnigh impossible to refuse a profit to the eighty-six officers¹ who consent to make such considerable advances. This is why banking operations have been accorded them. The treasurer general, like a financial institution, solicits the savings of the public, by offering interest. The deposits made with him—either on current checking account or on time—are turned into the Treasury at a rate of interest higher than that paid by the treasurer general;² the difference between the yield of the two rates constitutes his profit.

These operations, however,³ necessarily involve operations

50,598,800 francs (January 1, 1896); 40,637,700 francs (June 30, 1905); 39,908,800 francs (May 1, 1907); 35,429,000 francs (May 1, 1908); 30,705,000 francs (April 1, 1912).

¹ On the average, 100,000,000 make more than 1,000,000 per treasurer general; 50,000,000 represent almost 600,000 francs per officer.

² Thus, while the large financial institutions have perpetual trouble in finding a secure and lucrative investment for the funds deposited with them, the treasurer general needs only to apply to the public treasury to obtain such an investment.

It is most formally forbidden, say the circular notes, to use the funds resulting from current accounts opened to private individuals for making purchases of securities, discounting operations, or advances on the current account. Treasurers general are equally forbidden to use them in order to complete their collection. They have to turn them over in total to the Treasury.

³ The Minister of Finance, in the course of the discussion on March 26, 1889, in the Chamber of Deputies, attributed to these deposit accounts with the treasurers general the advantage not only of supplying the floating debt with funds but also of grouping the capital in the hands of the State and of securing patronage for the Treasury. "The movement of capital which exists in every general treasurership, brings to its counters, which are at the same time the counters of the Treasury, the patronage of the State. I ask you to leave this patronage to the Treasury and not make of this patronage a present to the bankers who claim and demand it." (Speech of M. Rouvier, March 26, 1889.)

In the same way Senator Pauliat, in his already cited report, estimates the number of depositors in the treasurerships general at 31,445 and concludes with recognition of the necessity of not losing such patronage. This argument now seems to be quite out of date.

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for the benefit of customers, who have not only to be solicited but retained; among these operations let us mention the executing of orders for the purchase and sale of stock exchange securities. It is true that the instructions provide that these negotiations shall be made only for cash, that doubtful French securities and all foreign securities are excluded, and that stock exchange operations are forbidden. No bond issue can be sold over the counters of the Treasury; even the advertising of a bond issue in a public waiting room is forbidden; the only exception is with regard to subscriptions for the bonds of the City of Paris and of the *Crédit Foncier* of France. Transactions in bills are forbidden, except in certain cases.¹ These precautions reveal the dangers and temptations among which the officers move, and from which they should be protected.²

In these operations the treasurers general act in individual and not official capacities. A placard posted conspicuously in a public room contains the caution that the State waives responsibility in all cases. The depositors receive no detachable counterfoil receipt in the form indicated above. As the banker himself is a party to this transaction, his customers must satisfy themselves with receipts on ordinary paper.³

They
Act in
Individual
Capacities

¹ The instructions forbid the legal representatives to transact for their own account operations which are prohibited to their superiors. The special collectors can open in their offices special deposit accounts and receive orders for stock exchange transactions for the account of their superior, and on his responsibility exclusively. As far as collectors are concerned, a decision of October 12, 1880, forbade their accepting any order for a stock exchange transaction and forbade their superior to give them any authorization which would be contrary to this prohibition.

² In the course of the discussion of March 23, 1889, in the Chamber of Deputies, a very interesting circular note, published in the newspapers of one of the *départements* in the west, was issued. This circular note announced that the general Treasury has undertaken "under the most advantageous conditions for the public to buy and sell all French securities handled at the stock exchange of Paris and negotiated by banks, to pay the coupons of French and foreign securities, etc. . . . The orders for stock exchange transactions are executed on the day following the filing of the order with the treasurer-ship general." (See the note of the Minister of Finance on the subject in question, referred to in the aforesaid report, of Senator Pauliat.)

³ The *Union des banquiers des départements* has often complained of the irregular competition made with them by the treasurers general.

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This Dual
Rôle Objec-
tionable

In this connection, also, these formalities show what confusion results from the double function assigned to one and the same agent. And when disasters result, a great scandal is caused by this union of officer and banker. Money is forthcoming for the public services, but not for the personal debts of the unfortunate treasurer general. The State, on the one hand, continues rigorously to collect the exigible taxes, and, on the other, the representative of the State, on the same premises, ceases to pay his own creditors. We shall no longer dwell on these painful incidents, so often touched¹ upon above.

Marquis
d'Audiffret
Defends It

The Marquis d'Audiffret, however, in his great work on finances, admired without reserve these bold combinations:

"The superior administration," he said, "seemed to deem it necessary to authorize the treasurers general of the *départements* to maintain, in various localities in France, banking relations with capitalists and business men, which relations, at little expense, brought very welcome resources of personal credit necessary for covering, in case of necessity, an occasional shortage of the revenues of the State. . . . Owing to this ingenious combination, the State profits by the best procedures of commercial ingenuity for the execution of its daily service." (*Système financier de la France.*)

Further on, the Marquis d'Audiffret—always full of enthusiasm for the organization of which he was partly the originator—adds:

"The activity, the order of all the movements of this

¹ The Minister of Finance said in the discussion at the Chamber of Deputies: "These agents (the treasurers general) have a certain kind of duality into which the administration is unable to penetrate sufficiently in order to satisfy itself that they do not engage in operations other than those that they should perform. Such things have happened, however, and we have proofs of them in several circumstances. There have been some disasters among the treasurers general. We have ascertained that in every instance it was necessary to deal not only with an officer who has performed operations for the account of the Treasury, but also with the individual who has made these operations for his own account." (Speech of the Minister of Finance, February 16, 1888.)

Read the instructive statement of Deputy Caillaux who subsequently was Minister of Finance; this statement precedes Caillaux's plan of reform of treasurerships general, submitted on May 24, 1899.

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financial mechanism deserve henceforth the just admiration of foreign governments. Superficial minds, self-conceited innovators strain themselves by jealous prejudice or by inapplicable theories to discredit this excellent and useful administrative organization, wrongly charging that it is complicated and expensive."

The value of this eulogy is somewhat obscured by the criticisms, a summary of which we have given above, and which were particularly dwelt upon during the discussions of 1888 and 1889.

REFORM OF THE OFFICE OF THE TREASURERS GENERAL

Among the systems of reorganization proposed, two deserve particular attention: The first, which is being set in operation, transforms the treasurers general into simple officers with fixed salaries; the other suggests that their functions be taken over by the Bank of France.

Proposal
to Fix
Salaries

The conversion of the treasurers general into agents with fixed salaries—as is the case nowadays with the majority of State officers, even those whose functions often involve the greatest responsibility, as for instance the paymasters, who handle funds just as considerable¹ as their colleagues, the collectors general—appears a realizable reform.² The official plan of March 16, 1886, which was included in the budget scheme for 1887, was drafted along this line, and would have yielded a net saving of 2,500,000 francs per annum; the Chamber of Deputies, however, rejected it.³

¹ Although in the budgets the mass of expenditures, generally speaking, is equal to the mass of revenues, the paymasters handle considerably less funds than the collectors general, because not all payments are made by them. A certain number of pay-warrants, payable in the *arrondissements*, are paid at the offices of the special collectors or by other accountable officers upon a visé of the paymaster. This visé, however, extends its moral responsibility to all the payments.

² We do not take up the question of the exaggeration in the salaries of the treasurers general, which is a favorite subject of contemporaneous discussion, because it seems to us to be by far preferable to remain on the more neutral and more interesting ground of the organization of the institution in question.

³ The suggestion was not even submitted to general discussion. The commission on budget made its objection against this suggestion and the minister did not insist.

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Modified
Plan for
Salaries

Soon an analogous suggestion, growing out of parliamentary initiative, fared better. This plan divided the treasurers general into five classes, with fixed salaries ranging from 12,000 to 25,000 francs. The commissions or remittances allotted by the budget of the State, as well as the advances to the floating debt, were abolished. Only the extra-budgetary perquisites paid by the City of Paris, by the *Crédit Foncier*, by the *Caisse des Dépôts et Consignations*, etc., were left standing as extra compensation for the responsibilities. This was, in main outline, a reproduction of the plan of 1886. In spite of the opposition of the Minister of Finance,¹ this suggestion, supported by the commission, was approved by the Chamber of Deputies by a rather large majority.² Then, in the course of a discussion of the budget for 1890, the Chamber—confirming its first vote before the Senate pronounced itself on the subject—changed the scale of the salaries of the treasurers general. (Session of July 2, 1889.)

Legislative
Struggle
Over the
Reform

The Senate—after having refused at first to follow the Chamber in this organic reform inserted in the body of the fiscal law—in order to avoid a conflict³ finally consented to vote the budgetary entries of the deputies. The Government then deemed itself authorized to express through administrative provisions the reform entered only in figures in the fiscal

¹ The most important difference pointed out by the Minister of Finance concerned extra-budgetary emoluments, which the new plan left to the treasurers general as compensation for the responsibility, while the plan of M. Sadi Carnot of 1886 included the proceeds of these emoluments among the revenues of the budget and allotted to the treasurers general special premiums in order to compensate their responsibility. This portion of the old official plan was undoubtedly to be preferred to the provision which was taken in its place. "You can take the responsibility from them," said the minister, "but if you leave the responsibility with them, pay them for it. . . . Private establishments should not contribute to the salary of public officers. . . . You cannot afford to put them in a humiliating situation which is given in certain industrial establishments to the officers who are responsible for the cash register, but who are authorized to accept tips." (Speech of M. Rouvier, Minister of Finance, March 26, 1889.)

² Three hundred and eighty-seven deputies voted for their adoption and 137 against them. (Session of March 26, 1889.)

³ The question of the treasurers general had almost brought about, during the closing days of the session of 1889, a conflict between the two chambers analogous to the one we have described above. In the evening of July 15, 1889, only several hours prior to the reading of the decree closing the session, the Senate decided to yield.

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law, and, therefore, issued the decree of December 31, 1889.¹ The organization of treasurerships general was thus temporarily regulated by a simple act of the executive power.

According to the decree of 1889, which was amended by the decrees of May 31, 1899,² and of January 6, 1908, the treasurers general who become officers receive, regardless of their class (rank), a budgetary salary of 12,000 francs.

All commissions or remittances which existed in the budget of the State and of the Legion of Honor were abolished. There were left only, for their benefit, the extra-budgetary remittances paid by the *Caisse des Dépôts et Consignations*, by the *Crédit Foncier*, by the City of Paris, etc., which were intended to compensate them for their responsibility, as well as allotments from the floating debt proportionate to the deposits of their own funds.

The budget provides for the salaries of their appointed personnel and allows them, besides, by contract, a stipend for sundry expenditures and for materials; the amount of this is determined by ministerial decision. Finally, Article 29 of the budget law of February 27, 1912, stipulated that the net proceeds of the office of a treasurer general should no longer exceed 40,000 francs per annum, and the surplus was to be turned over to the Treasury. As a result of this procedure, 60,000 francs have already been entered among the sundry profits of the budget for 1913.

Cash
Results
of the
Reform

The fixed salaries of 87 treasurers general cost the budget 1,044,000 francs; the extra-budgetary allowances are estimated at 1,650,000 francs, and the profits on current accounts opened to private individuals yield about 275,000 francs net.³ Taking into account the 60,000 francs turned over to the budget item of sundry profits, we arrive at a total of approximately 2,909,000 francs of emoluments, which, in turn, represents the average salary of 33,400 francs per incumbent.

¹ A law in the course of preparation must always sanction the provisions of the decree of December 31, 1889; the annual budgets, by the way, confirm these provisions.

² This decree of May 31, 1899, like the preceding decree of 1889, was prompted by an amendment which was due to parliamentary initiative and was voted in the course of a discussion on the budget.

³ The interest paid by the floating debt, according to statistics contained in parliamentary reports, would reach the figure of 673,000 francs, from which must be deducted 400,000 francs of interest paid to holders of current accounts. From this a net profit of 273,000 francs results for the treasurers general.

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In 1880, the treasurers general drew 10,000,000 francs; while nowadays they cost but little over 7,000,000, which are obtained by adding to their 2,909,000 francs of salaries the 4,000,000 paid or allotted for personnel and material expenditures. The reduction thus reaches almost 3,000,000, or 30 per cent, at a time when the services have been very much developed, and when, on the contrary, the salaries of all other officers have been increased. These figures show the importance of the reform.

How the
Economies
Were
Effected

The main economy realized consists in the abolition of the commissions from revenues and expenditures, which amounted in former times to 3,350,000 francs, and of the commissions resulting from the working of the current account *at reciprocal interest*, the mechanism of which fixed the character of banker on every treasurer general. As we have seen, this current account of the Treasury is now kept only in the capitals; the treasurers general exercise their full rôle as officers without the banking privileges originally intended to furnish the floating debt with funds; these banking operations will undoubtedly soon disappear.¹

Proposed
Reforms

Another suggested reform of the treasurerships general, submitted to the Chambers long ago, consists of combining the service of assessment and the service of collection of direct taxes. The treasurer general and the director of direct taxes in case of such combination would be merged into a single individual with the functions of both. The remittances, fees, current accounts, banking operations, etc., would then disappear completely, making room for fixed salaries.²

The plan to create *regional treasurerships* in lieu of departmental, retiring three-fourths of the incumbents, would yield an annual saving of almost 3,000,000.³ The development of means of communication, the progress made in the commercial and financial life of the country justifies this suggestion in the eyes of its author, who maintains that a treasurer general at the center of three *départements* would today be closer

¹ It would be sufficient to raise from 100,000,000 to 150,000,000, the margin given to the savings banks to deposit their surplus funds with the Treasury, in order to enable the floating debt to avail itself of such equivalent immediately, a sum which would exceed the deposit of the special fund of the treasurers general.

² See Chapter XIX on this subject.

³ Articles of Deputy Boudenoot in the *Revue politique et parlementaire*, issues of July 5 and November 6, 1895.

THE TREASURY SERVICE

to his subordinates than was, a collector general in his one *département* fifty years ago.

Finally, a still more radical plan of reform tends not only to deprive the treasurers general of their present banking function—everybody seems to agree on this point—but also to take from them every function of treasury nature as well as of the shifting of funds. What is the use, said the authors of the suggestion, to transfer funds each day from the Bank to the treasuries? In order to abolish this exchange, which is both superfluous and costly, it would be sufficient to entrust the Bank with receiving the deposits of the accountable officers and paying the warrants. If the depository features were looked after by the Bank, the public funds would never leave it, except when finally paid out. The agents of the State, on the other hand, would be limited to such functions as they could effectively discharge, and these functions are control and accounting. The banking operations would be turned over to the Bank, the supervision of the accounting would rest with the State, and thus both the Bank and the State would perform their proper functions.

Some objections, however, are voiced against these combinations, which appear so simple. First, it would hardly be possible to put the Bank, a private institution, in charge of the control of revenues and of expenditures of the State.¹ Only the technical side of the treasury service, therefore, would come into consideration.

Objections
to Proposed
Reforms

“The coöperation which can be demanded of the Bank must not extend to the complete carrying out of the service of collecting taxes and disbursing expenditures, these terms being used in their widest sense. . . . The State, therefore, cannot renounce, for the benefit of an independent institution, the management and the supervision which, from all points of view, it must exercise over its agents, whatever tasks may be assigned them. . . . With regard to the question of depository, the function of the Bank is limited to that of a cashier, who brings together

¹ Napoleon, in 1806, expressly refused to entrust to the Bank of France the function of cashier of the State, in spite of the protection he extended this institution. “I want,” he said, “to be able to shift an army corps without the Bank’s knowing it, and the Bank would know it if it were familiar with my needs for money.” This argument, however, does not have the same value under a representative form of government.

THE BUDGET

the funds collected by the agents of the Treasury, making all disbursements, paying the expenditures on vouchers as an agent of the Treasury." (Governmental plan of January 14, 1891, relating to the renewing of the franchises of the Bank of France.)

On the other hand, it is claimed that the depository service requires but one or two officers, in large *départements* sometimes three, to do this work; the saving resulting from such a reform would, therefore, be of little importance, inasmuch as the Bank would have to be paid for its coöperation. As far as the public is concerned, it would be put to the inconvenience of dealing with two places of business, often distant one from the other—with the Treasury to secure its vouchers, and with the Bank where they would be cashed. It is possible that some day departmental accountable officers will imitate those of Paris,¹ who, in case of large amounts, hand to the parties checks payable at the branches or at the agencies [of the Bank of France]. This, however, would be a reform only as to details, and many useful ones might be made without the essential bases of the present organization being destroyed.

THE TREASURY IN ENGLAND, IN GERMANY AND IN BELGIUM

Functions
of the
Bank of
England

In England, the State delegates an important portion of its financial functions to the Bank. In the first place the Bank of England has exclusive charge of the management of the public debt. It pays directly to the creditors of the State the interest on the consolidated and nonconsolidated debt and attends to all transfers which relate to these securities. The payment of coupons and the transfer of securities representing the public debt are thus financial functions of the first order entrusted to the Bank. In return, the Bank receives from the State a commission, which is calculated at a decreasing rate and which amounts approximately to 4,500,000 francs per annum.² In France, where the number of bondholders is greater than in England and the figure of the debt is higher,

¹ The practice in Paris is to make the payments of sums higher than 10,000 francs by means of check on the Bank; the verification and the accounting of the items of expenditures rest always with the Treasury

² *Finance Accounts of the United Kingdom.*

THE TREASURY SERVICE

it would be of no advantage it seems, even if the rate were the same, to use the Bank¹ as an intermediary.

In the second place, the account of the Exchequer, carried at the Bank, receives directly all the proceeds collected by the customs administration, by the inland revenues, by the posts and telegraphs, etc. Furthermore, this account is supplied, in case of need, by supplements resulting from negotiating Exchequer bills and even by advances of credit, which the Bank itself makes to the State on the payment of interest. All the budgetary resources, in a word, are credited directly to the account of the Exchequer; this account thus becomes the great and the only reservoir of the funds of the Treasury. The Bank makes no charge for handling it; its profits accrue through the very considerable balances of the current account.²

It Receives
Deposits,
Etc.

In brief, the Banks of England and of Ireland coöperate with the State in two ways: In attending to the payment of coupons and in keeping the transfer records of the public debt for a commission, a thing quite new to us;³ and in car-

¹ So much more that, by virtue of the convention of 1897, the Bank of France attends, free of charge, to the payment of the coupons of the bonds, coöperating thus with the Treasury.

² These balances necessarily vary. Thus in July 1889 they exceeded 250,000,000 francs, and fell in the same month to 174,000,000. In 1890 they amounted to 84,000,000 in August and to 97,500,000 in October. In 1891 they reached the figure of 306,330,000 francs in March and amounted to only 157,110,000 francs in June of the same year. In March 1896 they reached the figure of 465,800,000 francs; in September 1912, 397,000,000 francs.

³ The payment of coupons of the public debt resting exclusively with the bank is nothing new to us because it has been experimented on in France under the Restoration. The law of March 25, 1817, Article 140, expressed itself as follows: "The Minister of Finance is authorized to negotiate either with the Bank of France or with the *Caisse des Dépôts et Consignations*, with regard to the payment of the interests on the consolidated debt and the sinking fund by means of assignment of proceeds hereinafter enumerated."

In consequence thereof the Minister of Finance made a contract with the Bank of France, which was rather onerous for the Treasury and the subject of very sharp criticism in the Chambers. The Minister justified himself by stating that, following the explicit intentions of the legislature, he had made the best possible bargain with the Bank in order to strengthen the national credit of France by turning the entire service of the debt and the revenues and the expenditures over to this independent establishment; he furthermore added that, although this administration was rather costly, it had been done very well because the last half year was paid by the Bank within one

THE BUDGET

rying the current account of the Treasury as for any other customer, and without compensation.

The
Reichsbank

In Germany, the Bank of the Empire (*Reichsbank*)—organized by the laws of March 14, 1875, and December 6, 1889—undertakes to pay the interest on the debt of the Empire. The *Reichsbank* pays, furthermore, the expenditures of the superior Treasury of the Empire (*Caisse Supérieure de l'Empire*), and collects the revenues of the latter in amounts not less than 12,500 francs. These operations concern only certain imperial ministries, such as the ministries of the treasury, of justice, and of the interior, at the capital of the Empire; the ministries of foreign affairs, of posts, of war and of the navy have their special treasurers.

Apart from this, the *Reichsbank* maintains the same relations with the Imperial Treasury and with the Treasury of Prussia that the Bank of France does with the French Treasury.¹ In the thirty-four provincial districts, the branches of the *Reichsbank* collect the surpluses of revenues of the various treasuries and in turn supply them with funds necessary for the payment of public expenditures. In order to avail itself of these advantages, it was sufficient for the State—like any private individual presenting the necessary guarantees—to open a current account against which credit and debit entries might be made. The Treasury, however, must keep, as compensation for the Bank, a minimum credit balance of 12,500,000 francs. The railroads, the posts, etc., keep separate accounts with the Bank.

National
Bank in
Belgium

In Belgium, the National Bank (*Banque Nationale*)—in conformity with the laws of May 10, 1850, March 20, 1872, and March 26, 1900—performs to the full extent of the word, the function of a *cashier for the State*. Since 1815, after its separation from France, the Netherlands—eager to repudiate our organization of collectors general and special collectors—has entrusted to a single banking house—the *Société générale pour Favoriser l'Industrie Nationale*—the collection and transferring of funds and all budgetary payments. Belgium, upon

month, while it took the State four months to perform the same operation. Nevertheless, the Bank of France did not draw the annual 2,700,000 francs which this service yielded for a long time. The Minister of Finance took into his hands the management of the arrears of the debt beginning with the first half year of 1819 in the *départements* and in Paris beginning with July 31, 1827.

¹ Report of M. H. Jolly, Inspector of Finances. A Mission in Germany, 1889.

THE TREASURY SERVICE

becoming independent in 1831, first continued its relations with this Bank. Later, as the result of certain difficulties, Belgium, by a law of May 5, 1850, organized its National Bank,¹ which was invested by the second law of May 10, 1850, with the functions of cashier for the State. The National Bank must open agencies in every judicial district and wherever the Government may deem it necessary;² the personnel shall include a special agent called the cashier of the State. This cashier—whom the King selects from a list of candidates made up by the council of the Bank (*conseil de banque*)—keeps his records in conformity with the government regulations: delegates of the Minister of Finance inspect these records and the *Cour des Comptes* verifies them. All the collectors of taxes and budgetary revenues of his district turn their collections into his hands. He pays all the creditors of the State.³

By the side of this agent, the administration of finances installs another, subordinated directly to the Administration; he is entrusted with directing and controlling the operations of public revenues and expenditures. The agent of the Treasury (*l'agent du Trésor*)—who resides, whenever possible, on the premises of the Bank or in its immediate neighborhood—signs, with regard to the revenues, the receipts delivered by the cashier of the State and detaches the counterfoil; this is an analogous operation to that once current in France as between the prefects and the treasurers general. As far as expenditures are concerned, he inspects them before they are paid and puts his “seen and approved for payment” (*vu bon à payer*) on the

¹ Does the National Bank have a monopoly? The Belgian constitutional law gives a negative answer and proclaims the theory of the liberty of the banks. But, in fact, the Bank of Liège is the only one so far that has undertaken to issue notes payable to the bearer and on sight (*billets au porteur et à vue*) parallel with the National Bank. The latter, on the other hand, inserted in an agreement with the State certain clauses of an exclusive character, such as the admission of its notes in all the public treasuries. Therefore, if the monopoly of the National Bank is not officially recognized in Belgium, nevertheless this monopoly exists in reality. See on this subject the commentary to Article 25 of the new law in the remarkable report of Chevalier Descamps submitted to the senate on March 17, 1900.

² The National Bank of Belgium has about forty agencies.

³ The operations performed by the National Bank for the account of the Treasury involve yearly about 4,500,000,000 of revenues and expenditures.

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vouchers delivered by the ministerial departments,¹ which the holders subsequently present to the cashier of the State. The latter pays only vouchers bearing the legend "seen and approved for payment" of the agent of the Treasury, who thus holds the key to the cash box in his hands.

In Belgium
the State
Profits

Belgium profits extensively by its relations with the National Bank. The agreements—the last of which in 1900 was extended to January 1, 1929—guarantee to the State a fixed share (one-fourth of the profits exceeding 4 per cent on the capital and surplus) and, furthermore, special profits resulting from the raising of the discount rate above 3½ per cent, and from a tax on the circulation of notes, when the total exceeds 275,000,000 francs. Finally, the funds of the Treasury, deposited in current account as soon as they become available, are invested in interest-bearing commercial securities on the responsibility of the Bank. It appears that all these are measures which other countries might introduce much to their advantage in their future contracts.

¹ The liquidating department of the ministry, after having drafted the payment vouchers, sends them to the Treasury, which submits them for the visé of the *Cour des Comptes*. The latter, by virtue of its preventive function, of which we shall speak later, verifies these payment vouchers and keeps, for reasons of subsequent control, all documents substantiating them. Then, after having approved them, they are returned to the liquidating departments in order to be paid. Then only begins the series of formalities spoken of above.

CHAPTER XXIV

MAKING DISBURSEMENTS IN ACCORDANCE WITH APPROPRIATIONS

The Functions of the Minister of Finance: The Financial Mechanism; Under the Consulate; Unity Restored Under Restoration; Italy Still Has Dual Form.

The Service of the *Ordonnateurs*: The Incurring and Liquidating of Debts; Check on Ministerial Accounts; Obligations Elusively Incurred; Difficulties of the Comptroller; How Accounts Are Liquidated; Liquidation Defined; Payment Vouchers; The Secondary *Ordonnateurs*; Means of Control Over the Issue of Payment Vouchers; Central Accounting; Control of the Minister of Finance Over the Disbursing Ministers: Monthly Estimates of Expenditures Required; Expenditures To Be Within the Appropriations; He Orders the Payment of Vouchers.

Functions of the Accountable Officers: Accountants and *Ordonnateurs*; Where the Vouchers Are Paid; Vouchers Must Satisfy Three Requirements Before Being Paid; Documents Accompany the Voucher; Supremacy of the Minister of Finance; The Report of a Commission; The Views of the Commission Adopted; Control of Documents Tends to Prevent Fraud; An Illustration of a Fraud; Other Illustrations; Disbursing Agents Verify the Documents; The Bearer of a Voucher Must Prove His Right to Collect.

The Responsibility of the Paymasters: The *Ordonnateur* Can Compel Payment; Routine Through Which Such Order Must Pass; The Right of Requisition; Penalties for Violations.

Hitherto, we have seen that the Minister of Finance alone directs the army of agents charged with ascertaining and collecting the taxes; furthermore, we have seen him in control of the agents concentrating the fiscal revenues; and finally, pursuant to his orders, public funds are transferred as needed. We have also reviewed the current account of the Treasury with the Bank of France, the current account of the Exchequer with the Bank of England, the account of the Empire with the *Reichsbank* and the account of the State with the National Bank of Belgium. Everywhere the funds, once collected, or otherwise procured, are put at the disposal of the Minister of Finance. The unity of the execution of the budget of revenues, the centralization and the shifting of funds are all in his hands.

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THE FUNCTIONS OF THE MINISTER OF FINANCE

The
Financial
Mechanism

This unity astonished a foreign officer who came to study the financial institutions of France:

"The more profoundly I entered into the matter, the more pleased I was by the conception of things confronting me. From a central point in the financial administration, there spreads, in numerous degrees and in all directions, a net of distinct organs separate in themselves but supporting and restricting each other in their actions. At the slightest impulse, each of the thousand wheels will execute the movement which is required." (*L'Administration financière de la France*, by Chevalier de Hock, 1858.)

The unity which this high Austrian official quite justly admired at that time did not always exist in France.

Under the Constitutional Assembly and then under the assemblies following the Revolution, the Committee on the Treasury—"charged with supervising the national revenues and with ordering the transfer of funds and the payment of all public expenditures approved by the legislative body" (Article 317 of the Constitution of the 5th Fructidor, year III of the Republic, August 5, 1795)—depended directly upon the National Assembly. These functions were intentionally divorced from the Ministry of Finance, it being provided by decree of March 30, 1791, that they "shall not belong to any ministry," in order to keep the execution of the budget entirely in the hands of the legislature. The latter, even after the revenues and the expenditures were voted, did not divest itself of this prerogative.

Under the
Consulate

After the year VIII (1799-1800), the *Consulat*, by abolishing the Committee on the Treasury, returned to the executive branch all of its budgetary functions. But the principle of unity in the ministry of finance had to withstand a new trial. In the year X (1801-1802) the ministry was divided into two parts: One called the ministry of the treasury (*ministère du trésor*), and the other the ministry of finances (*ministère des finances*). The first was charged with the duties of the Treasury, the transfer of funds, the creation of extraordinary resources and the disbursement of expenditures. The second had special charge of the imposition and collection of indirect

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taxes. This duality, which existed from 1801 to 1815,¹ had a reason for existence; the unity which is always necessary existed in the person of Napoleon, who directed the finances of France.

With the Restoration, when the responsibility of the ministers succeeded the personal régime,² the ministry of finances soon regained its unity which it has not since lost. After 1870-1871—on account of the extra heavy amount of work under which the branches of the service were suffering—it was proposed, on legislative initiative, again to divide the ministerial functions between two ministers; to which the following reply was made:

Unity
Restored
Under
Restoration

“Can it be supposed that a minister of the Treasury would be able to distribute the resources of the State in such a way as to make them everywhere agree, if he did not have, together with the control of the expenditures, the management of the taxes?” The same speaker added: “In the ministry of finances things are bound together; all branches of the service coöperate for one common purpose. This common purpose . . . is the harmonizing of the resources and the obligations of the State.” (National Assembly, December 13, 1872, Speech of M. Magne.)

The suggestion was rejected and has not been renewed.

Even though the unity of the authority of the Minister of Finance had once been impaired with regard to the execution of the budget, today this unity is complete in France, as well as in almost all other countries.

In Italy, however, the Treasury and the Finances still form, as under Napoleon I., two different ministries, having, by the way, at times only one incumbent. In principle, however, the division is maintained; and although M. Magliani, Giolitti,

Italy Still
Has Dual
Form

¹ Beginning with 1806, Barbé-Marbois and then Mollien occupied the post of the minister of the Treasury; Gaudin, Duke d'Audiffret, occupied the post of the Minister of Finance without interruption from the year X until 1815.

² In 1817, when the administration of accounting was split into administrations of revenues and expenditures, the Marquis d'Audiffret protested against this division, which, he said, offered on a smaller scale the same objections as separating the Ministry itself into two parts. In 1818 Baron Louis lost no time in reëstablishing the unity of the administration of the accounting in conformity with the desires of Marquis d'Audiffret.

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Grimaldi, etc., on different occasions, combined in their hands the two portfolios, the separation was reëstablished with M. Luzzatti and Colombo after 1891 and still exists.

THE SERVICE OF THE ORDONNATEURS

The
Incurring
and
Liquidating
of Debts

The disbursing of expenditures, in its initial stages, is not concentrated in the hands of the Minister of Finance as exclusively as is the supervision of revenues and the transferring of funds. In this connection, coördinate with the Minister of Finance, are the other ministers, his colleagues, who spend the public money. To govern means to spend, and as there are twelve ministerial departments, each of which must be charged with its portion of governmental functions, in consequence each must spend according to the appropriations made by the legislature. We must, therefore, devote our attention to these new agents who take a hand in the execution of the budget, the ministerial agents who spend, in order to see how they discharge their special financial duties. These involve three classes of activities: (1) Incurring obligations; (2) liquidating or determining the amount of these obligations; (3) the passing of vouchers for payment (*ordonnancement*).¹

The incurring of obligations ² is rather hard to define; and, as yet, no regulation has attempted it. They are, generally speaking, "transactions, the execution of which involve immediately or in the future, the making or the increase of an expenditure." We must distinguish between *permanent* obligations, relating to expenditures recurring each year unless modified by some new decision, and *casual* obligations, resulting from an operation of a temporary nature.

Although ministers have always incurred obligations requiring expenditures, because this is an inherent part of their functions, the entire matter, until recently, has lacked any kind

¹ The service of the expenditures causes three kinds of distinct operations: 1. To make the expenditure, that is, incur a debt to be charged against the State; 2. to fund the debt of the State in the first place by payment vouchers (*ordonnance*) on the Public Treasury; 3. to complete the paying off of the debt by the liquidation of the payment vouchers. (*De la comptabilité des dépenses publiques*, Paris, 1822.)

² See the work of M. René Gervais, Doctor of Laws, graduate student of the Ecole des sciences politiques, under the title: *Le contrôle des dépenses engagées*, Paris, 1906.

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of regulation in France. The commissions on budget limited themselves to pointing out the dangers of exceeding the appropriations by urgently recommending to the ministers not to incur obligations beyond the legislative authorizations.

Finally, the law of December 26, 1890, provided: "In each ministry there shall be an account kept of the incurred obligations involving expenditures. A report of this shall be submitted monthly to the general management of the public accounting division." (Article 59.) Two points have to be emphasized in this text. First of all, each minister must keep an accounting system of his own, "by means of which he can and should be kept informed as to the financial consequences of his actions." (General report on the budget for 1891.) All documents, therefore, such as decrees, orders, contracts, decisions, circular notes, etc., must henceforth pass through the hands of a special agent, who will examine them as to their financial consequences and will warn the minister, in case the condition of the appropriations is such that the expenditures cannot be met. Besides, the law stipulates that the Minister of Finance shall be informed of all the obligations requiring expenditures incurred by each of his colleagues, in order to enable him in due time to exercise his authority against the exceeding of appropriations.¹

Check on
Ministerial
Accounts

Considered theoretically, the innovation has incontestable merits. If each minister were compelled to take cognizance of the financial consequences of every measure he proposes or adopts, and to formulate these consequences in precise figures with reference to the corresponding condition of legislative appropriation, any exceeding of appropriations would necessarily become intentional, responsibilities would be definitely fixed, and abuses would cease, particularly if the Minister of Finance, in proper time, opposed his *veto* to the irregular incurring of expenditures. The evil would be curbed at its source, according to the old maxim, *principiis obsta*.

Unfortunately—and the objection applies to all preventive systems²—nothing can be less easily perceived than the incurring of obligations requiring expenditures. The evidence of the initial step in incurring an obligation is often but a circular note, a letter, a simple promise, a result of a conference or a

Obligations
Elusively
Incurred

¹ The decree of regulation of March 14, 1893, develops successively each of these two kinds of provisions.

² See later on, with regard to the preventive control, the Italian and Belgian systems.

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conversation. Then, even though the incurring of the obligation may be traced to its origin, how may the amount be exactly calculated? Very elaborate plans have been devised with bold affirmation of advantages in use; furthermore the designers almost unconsciously reduce the figure of financial repercussions in their conceptions. The official introduction to the decree of March 14, 1893, acknowledged that: "The accounts of obligations incurred requiring expenditures can be but a record of estimates; it can only give *more or less approximate* estimates, which are expected to change in the course of the year, as the transactions are brought to a conclusion."

Difficulties
of the
Comptroller

If the comptrollers, therefore, with difficulty get hold of the initial evidence of obligations incurred, and if, after having obtained possession of it they can get only unreliable figures, how can they succeed in preventing the exceeding of appropriations? A particularly competent work on the subject¹ explains that *conscientious* coöperation only can make the new system a success, "because, many obligations requiring expenditures are undetermined as to amount at the time they are incurred." The law of December 26, 1890, will, therefore, be of service only to those who are willing to execute it conscientiously; their number undoubtedly will be great. Furthermore, after fifteen years of experimenting with numerous modifications of practice, the deputy reporting on the budget for 1905 still hopes that "in the near future the Minister of Finance will exercise an effective control over the incurring of expenditures."

These difficulties of execution only help to emphasize the merits of the perseverance with which the legislature—through the successive enactments of December 28, 1895, March 30, 1902, March 31, 1903, December 28, 1908, and finally by the five articles of regulation of the law of July 13, 1911—has carried on the work begun in 1890.² If the exceeding of appropriations can never be mechanically abol-

¹ "Comptabilité des dépenses engagées," by M. A. Wilhelm, Chief of the Service of the claim office of the Navy. In the *Revue maritime et coloniale*, January, 1896.

² The statement of supporting arguments for the budget for 1909, however, after having ascertained, just as we have done, that the chambers have not ceased since 1890 to increase the control over expenditures, suggested charging the comptrollers with the task of control over the origin of additional appropriations. In every case

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ished, wise regulations at least may succeed in diminishing the number and importance of such occurrences.

The five articles, 147-151, of the law of July 13, 1911, stipulate: (1) That the comptrollers of incurred expenditures shall henceforth examine the proposals [i.e. the initial transactions which mature into obligations requiring expenditures], not only from the point of view of the availability of appropriations, but also from the point of view of the exactness of estimates, which extraordinarily widens the scope of their investigations; (2) that they shall investigate whether the ministerial undertakings conform exactly with the authorizations of the Chambers and whether their consequences do not by implication necessitate an increase of expenditures by some other ministry; (3) that they shall give their opinions on the drafts, decrees, resolutions or decisions submitted to the Minister of Finance; (4) in order to enable them to perform these functions, all the substantiating documents, the use of appropriations, etc., shall be placed in their hands; (5) that in case of irregularities, when the minister refuses to comply with the demands of the comptroller the matter is submitted to the Minister of Finance. It is possible that some day the conflict, instead of stopping at the Minister of Finance, will be carried directly to the legislature and the annual reports of the comptrollers will be published and communicated to the Chambers.

Furthermore, the decree of execution of August 31, 1911, countersigned by all the ministers, authorizes periodical meetings of the comptrollers of incurred expenditures at the ministry of finance, under the chairmanship of the director general of public accounting.

After obligations requiring expenditures have been incurred, they must be liquidated [i.e. the amounts must be settled and determined]. The contractors, *entrepreneurs* and various creditors,¹ in order to obtain payment of amounts due them, present notes, invoices, memoranda, contracts, receipts, etc.—in a word, all the evidence required to support their

How
Accounts
Are
Liquidated

demands for additional appropriations must be accompanied by an opinion of the comptroller of incurred expenditures. (Article 39 of the fiscal law for 1909.)

¹ This routine is not imposed upon officers and employees with regard to the payment of their salaries, or upon bondholders and pensioners with regard to the payment of their coupons. As far as they are concerned, the liquidation takes place automatically on the basis of the lists of the personnel and of the ledger.

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Liquidation Defined

claims, with the amounts thereof. Competent bureaus examine these documents, compare them with the orders, ascertain the work done and deliveries made, etc., and then on the basis of this data *liquidate* [i.e., determine] the amount of the State's indebtedness. Thus, the correctness of the accounts is *ascertained*. Liquidation is defined as follows: "Liquidation is an administrative determining in the bureaus of the competent ministry of the sums due a creditor of the State after the documents presented by him have been examined."

The liquidation is followed by the issuing of a payment voucher (*ordonnancement*), which is defined as follows: "The issuing of a payment voucher is the preparing by the competent minister of a document by virtue of which the creditor of the State is enabled to get a payment of the sums liquidated for his benefit."

Payment Vouchers

The issuing of a payment voucher consists in turning over to the creditor of the State an obligation to pay. Each minister is the only *ordonnateur* [voucher issuing officer] for the expenditures of his department. Every payment voucher (*ordonnance*) emanates from a minister. According to the case, however, the ministers issue *direct* payment vouchers (*ordonnances directes de paiement*) for the benefit of ascertained creditors, or they pass *delegated collective payment vouchers* (*ordonnances collectives de délégation*) which may be subdivided into *individual pay warrants* (*mandats individuels de paiement*) by the secondary *ordonnateurs*, who will be described later on. The decree of May 31, 1862, declared: "Article 82. No obligation requiring expenditure for the account of the State will be paid, unless it has been previously vouchered directly by the minister, or made payable by the secondary *ordonnateurs*, by virtue of ministerial delegation." The payment vouchers (*ordonnances de paiement*) "are orders on the Treasury delivered directly to the creditors by the minister." The delegated payment vouchers are an "authorization given by the minister to his secondary *ordonnateur* to deliver to the creditors of the State individual payment vouchers."¹

The Secondary Ordonna- teurs

The secondary *ordonnateurs* are "chiefs of the service, placed under the orders of each minister; with them rests the task of subdividing the amount of delegated collective payment vouchers into individual pay-warrants." Among the

¹ See the more extensive definitions of Article 84 of the decree of May 31, 1862.

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secondary *ordonnateurs*, we may cite the prefects for the ministry of the interior; the chief engineers of roads, bridges and mines for the ministry of public works, the departmental directors of financial administrations for the ministry of finance; the commissaries general of the navy for the ministry of the navy; the military commissaries, the directors of artillery, of the engineers, etc., for the ministry of war; the supervisors of forests for this administration; the directors of stud-farms, the directors of various agricultural establishments for the ministry of agriculture, etc.

Means of Control Over the Issue of Payment Vouchers:—

Do the ministers issue payment vouchers or delegated collective vouchers without control? We may be sure, in advance, that such is not the case. In the first place, each minister controls himself by means of a central accounting system,¹ which he is required to keep by decree of May 31, 1862 (Articles 296-305); this central accounting system consists of a journal (*journal général*) and a general ledger (*grand-livre*), in which are entered all transactions analyzed under columnar heads as follows: (1) Amount of legislative appropriations by chapter; (2) amount of the liquidated claims; (3) amount of payment vouchers issued; (4) amount of payments.² It is, therefore, enough that this central accounting system be properly kept to enable the ministers to know the extent to which liquidations are made and vouchers passed and whether the totals are within the limits of the appropriations. The column bearing the heading, "Amount of Legislative Appropriations by Chapter," controls all the others, thereby making it impossible unwittingly to exceed the amount of the authorization.

Central
Accounting

A second form of control, more potent than that exercised by the interested minister over himself, lies in the Minister of Finance, who now makes his appearance.

Control of the Minister of Finance over the Disbursing Ministers: The Minister of Finance, who up to this point

¹ The Minister of Finance, in the beginning of 1888, suggested the organization of the accounting of every ministry in a uniform way and placing the chief of this accounting division under his personal authority, as is the case in Italy. When M. Peytral retired from office, this plan was shelved.

² The decree of May 31, 1862, adds expressly in the aforesaid Article 296: "The ministers must organize their respective accounting bureaus according to the same principles, the same procedures, and the same forms."

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has had nothing to do with the issuing of payment vouchers passed by his colleagues, steps in and exercises a two-sided control: (1) From the viewpoint of the condition of the Treasury; (2) from the viewpoint of the limitations imposed by the legislative appropriations.

Monthly
Estimates of
Expendi-
tures
Required

The Minister of Finance is the best judge of the condition of the Treasury, and must, therefore, regulate the issuing of payment vouchers in accordance with the funds available to meet them. He accordingly demands of the ministers a statement of probable expenditures in their respective departments for the ensuing month, in order to compare the totals with the resources of the Treasury for the same period of time.¹ If, from this comparison, there appears the possibility of meeting the proposed expenditures, he presents for the signature of the Chief Executive the order for distribution of funds. The *monthly distribution of funds* (*distribution mensuelle des fonds*) is specified in the decree of May 31, 1862, in the following manner: "Each month, the Minister of Finance shall suggest to the Chief Executive—that such and such a distribution of funds can be made during the following month." (Article 61.)

Not only does the order for monthly distribution of funds, by the very fact of its preparation, keep the Minister of Finance in close touch with the periodical needs of his colleagues, but as soon as this decree is issued it constitutes an engagement on the part of the Minister of Finance to provide for the payment of obligations requiring expenditures, the distribution of which he has approved for dates and places specified—and further, because the monthly estimates of the ministers have specified also, beside the amounts, the dates and the places of payment. In conformity with these advices, the transfer of funds, of which we have spoken, is made with full knowledge, and the *ordonnateurs* can securely issue their payment vouchers.

Expendi-
tures to Be
Within the
Appropriations

The second control exercised by the Minister of Finance over the *ordonnateurs* consists in satisfying himself that the legislative appropriations have been strictly respected. We

¹ Article 90 of the decree of May 31, 1862, declared on the subject in question: "The Minister of Finance provides that every payment voucher and every pay-warrant which does not exceed the legislative appropriations be paid within the time and in the place designated by the payment voucher."

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have already seen that for this purpose each minister keeps for himself an accounting system, showing the incurred expenditures and the payment vouchers issued to meet them. The ministerial responsibility, of which we shall speak later, presents its threatening possibilities in cases of infraction. This, however, is not sufficient and the Minister of Finance in the last resort watches to see that no voucher is paid without an appropriation or with appropriations other than the one intended. The work of the legislature cannot be too scrupulously protected. Hence, the Minister of Finance *checks* all payment vouchers passed by his colleagues.¹ In order to execute this *visé* effectively, he recapitulates at his office for the general transfer of funds the amount of each legislative appropriation by chapter. Then he compares with the items of the table of additional appropriations, annulments and payment vouchers, which are always kept up-to-date, the amounts of newly issued payment vouchers transmitted to him by the disbursing ministers.² In case these payment vouchers fall within the limits of the unexpended balances of legislative appropriations and within the provisions of the order covering the monthly distribution of funds, the Minister of Finance approves them. If, on the contrary, they exceed in one chapter or another the limit of legislative authorizations, the disbursing minister is informed that the excess amount cannot be approved without the passing of a supplementary appropriation; and, in case the figures fixed by the order of monthly distribution of funds are exceeded, the excess is rejected during the following month. In a word, "every payment voucher in order to be passed by the Minister of Finance must apply against a regularly made appropriation and must be included within the limits of the monthly distribution of funds." (Article 83 of the decree of May 31, 1862.)

After having sent to his colleagues the approved payment vouchers, the Minister of Finance hastens to notify each treasurer general of the amount which is to be paid by each in his

He Orders
the Payment
of Vouchers

¹ Furthermore, we have seen above that the Minister of Finance avails himself of the coöperation of his comptrollers of incurred expenditures by virtue of the laws of December 26, 1908, and July 13, 1911.

² The payment vouchers of the Minister of Finance, just as all others, pass through the *visé* of the administration for the transfer of funds and undergo the same kinds of control as those of his colleagues.

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département. The abstracts of the payment vouchers, accompanied by a document authorizing the payment, are called *delegated credits* (*crédits délégués*). We shall soon see what use is made of them by the paymasters.

FUNCTIONS OF ACCOUNTABLE OFFICERS

The *ordonnateurs* are supposed to deliver the payment vouchers to the creditors. "The *ordonnateurs* must deliver under responsibility to the interested parties the extracts from payment vouchers or from notices taking the place of them or from pay-warrants, which the interested parties are to present at the counter of the Treasury." (Decree of May 31, 1862, Article 86.)

As soon as the creditors are equipped with their payment vouchers and the accountable officers are duly notified, the Minister of Finance must perform his third function,¹ to wit, actually pay the public obligations requiring expenditure through the intermediary of his accountable officers.

Accountants
and *Ordon-
nateurs*

The accountable officers constitute a class of agents essentially distinct from the *ordonnateurs*. As far as revenues are concerned, the assessing of taxes in certain cases is separated from the collection. In connection with expenditures, the separation of the *ordonnateurs* from the accountable officers is an absolute rule. "The functions of an administrator and *ordonnateur* are incompatible with the functions of an accountable officer," says the ordinance of September 14, 1822. The decree of May 31, 1862, renews in the same terms (Article 17) the provision with regard to this incompatibility, which is a fundamental principle of our financial organization. No confusion of persons can exist as between the branch of service which ascertains the status of a creditor of the State and that branch which executes the payment.

Where the
Vouchers
Are Paid

Who are the agents that honor the payment vouchers issued by the *ordonnateurs*? They are called the central paying cashier in Paris, and treasurers general in the *départements*.

¹ The three functions of the Minister of Finance in matters of public expenditures, which we have reviewed, consist of: (1) Distributing of funds in conformity with the monthly decree, in such a way that all expenditures will be exactly paid on the dates and in the localities indicated; (2) Satisfying himself that the legislative appropriations have not been exceeded; (3) Actually paying the creditors of the State the sums due them.

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The treasurer general in each *département* is responsible for all payments to the Minister of Finance and to the *Cour des Comptes*. The special collectors and the collectors are under his orders.

There are no longer in each ministry paymasters (*payeurs*), properly speaking, as was the case under the old régime, where the ministry of war, of the navy, the administration of roads and bridges, the household of the King, the marshal's office had independent paymasters whom Necker vainly attempted to attach to the *Contrôle Général*. In the first year of the Restoration, the paymasters general of the ministry of war, of the navy, etc., still retained their individual treasuries. The ordinance of September 14, 1822, issued by de Villèle united all these under the sole authority of the Minister of Finance by providing: "No funds shall be kept, nor shall any public treasury be managed by other than an agent under the orders of the Minister of Finance and responsible to him and amenable to justice before our *Cour des Comptes*." And this rule is still in force.

The duties imposed upon the paying agents, thus arranged in an hierarchical scale, under the sole authority of the Minister of Finance are of a three-fold nature: (1) To satisfy themselves that the authorizations have not been exceeded; (2) to verify the documents supporting each claim; (3) to demand of the party receiving the payment a receipt in due form.

Vouchers
Must
Satisfy
Three Re-
quirements
Before
Being Paid

The authorizations within the limits of which each treasurer general must keep his payments are the *delegated credits* (*crédits délégués*) of which we have spoken. It is not necessary that the departmental agent should have knowledge of all the legislative appropriations in France. He is concerned only with those touching his *département*; and the Minister of Finance informs him as to these. Therefore, when a payment voucher or a pay-warrant is presented at his office, the agent must satisfy himself first, that the amount called for is within the limits of the allotments authorized to the agent in question. Otherwise, the payment cannot be made, because the lack of an authorized allotment is tantamount to lack of funds.¹

In the second place, the treasurer general verifies the regu-

¹ The *ordonnateurs*, as we shall see, can at times force the hand of the paymasters, but never if the appropriations are exceeded. In this case, the veto of the paymaster is absolute and final.

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Documents
Accompany
the Voucher

larity of the supporting documents attached to the pay-warrant; these supporting documents consist of minutes of contracts, agreements, certificates of satisfactory conclusion of the work, measurements, notes, memoranda, etc.; an official list of such documents will be given later. Through these papers the accuracy of the data of the pay-warrant is confirmed; errors and inaccuracies are thus avoided or corrected. In the first place, the disbursing agent finds himself in a position to ascertain that the work was carried out really for the benefit of the State. This constitutes the essential point of departure. The public treasuries should be open only for purposes of paying an established claim against the State. "No payment can be made, save to a real creditor of the State, who is able to prove his claim and save as a *compensation for service rendered*." (Article 10 of the decree of May 31, 1862.)

Supremacy
of the
Minister
of Finance

The supremacy which such control gave the Minister of Finance over his colleagues was hotly contested. When de Villèle tried to compel the ministers to attach the documentary evidence of an expenditure to their payment vouchers or pay-warrants, they considered it an encroachment upon their autonomy. At the end of 1821, the Minister of War urged before the commission charged with studying these points of accounting,¹ that:

"In his capacity as disbursing agent he ought to keep in his possession all documents bearing on an expenditure for which he had issued a voucher, because these documents afforded proof of the correctness of the account he rendered the King and the Chambers, and a means of defense against accusations should such be made."

Besides, he added that the responsibility of the disbursing minister was sufficient guarantee of the proper application of the appropriations; and that, so far as concerned the Minister of Finance, the receipts from the parties to whom the money was paid would suffice to establish the regularity of the payments. To demand more would mean to raise the Minister

¹ This commission was composed of the following members: Mollien, Gaudin, Duke of Gaëta, Barbé-Marbois and Allent. The report bears the date of February 25, 1822.

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of Finance to the position of a judge sitting over his colleagues.¹

The commission turned down these arguments. It said, first, that the paymasters should not really sit as judges of the substantiating documents, but that "they should verify, when such documents were submitted, only the external form which is determined by the regulations in existence on the matter in question." Thereafter, the disbursing agents were to keep all the primary documents and the minutes of liquidations. The originals are always left with them and only copies are required. The commission, having overcome the susceptibilities of the ministers, further devoted itself to showing the great benefits of an administrative and parliamentary nature which might flow from the proposed measure. The commission said:

The Report
of a
Commission

"Is it not necessary and useful that—since the accounts rendered to the King and to the Chambers are the necessary control over those rendered by the disbursing ministers—the Minister of Finance should be able to certify that all payment vouchers were issued only for ascertained operations, and that their payment really brought about the cancelling of a debt of the State? Does this not mean a guarantee to the Chambers that under no circumstances can certificates of indebtedness be issued, altered or modified in the administrative bureaus after the payment is made, provided the substantiating documents prepared according to the liquidation rules preceding final payment are attached to the payment voucher itself, and together with the receipt of the creditor pass through the hands of the minister and of the *Cour des Comptes*?" (Report of the Commission of February 25, 1822.)

In a word, the Minister of Finance must not pay out moneys with his eyes shut.

The ordinance of September 14, 1822, sanctioned these conclusions in its Article 10: "Every payment voucher and every pay-warrant in order to be honored by an officer of the Treas-

The Views
of the
Commission
Adopted

¹ The objections against the submitting of documents substantiating the expenditures were developed with very much force in a work which was published in the beginning of 1822; this book bears no signature and has the title: *De la comptabilité des dépenses publiques*, Paris.

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ury must be supported by documents stating that their purpose is to pay off in whole or in part a debt of the State regularly approved"; this text now constitutes Article 87 of the decree of May 31, 1862. The supporting documents are not left to the discretion of disbursing agents; an official list specifies for each ministry just what documents are required. "The substantiating documents mentioned in Articles 85 and 87 shall be determined, according to the nature of the operations, from lists drafted jointly by the Minister of Finance and the disbursing ministers." (Decree of May 31, 1862, Article 88.)

Control of
Documents
Tends to
Prevent
Fraud

Generally speaking, this control of the documentary papers tends to prevent the abuse of *fictitious warrants*—that is, warrants the statements of which are falsified and conceal the real expenditure under the legend of other expenditures.

"This procedure consists in delivering a pay-warrant for an expenditure which was not made, or for an expenditure other than the one that was made; it assumes possibly an imaginary creditor, or an obliging one who, becoming an accomplice of the vouchering officer (*ordonnateur*), consents to increase a bill or even to alter it." (Circular note of the Minister of the Interior of March 25, 1872.)

An Illustration of a
Fraud

The manager of a stud farm, for instance, desiring to construct a conservatory alongside of his house, demanded of his ministry the authorization of this expenditure; it was refused. The director, persisting in his plan, entered into an agreement with the contractors and raised the necessary 8,000 or 9,000 francs on the forage for the horses. The fictitious bill presented to the disbursing agent called only for forage, which, as a matter of fact, was not consumed. As a result of certain data carried in the substantiating documents, the fraud was discovered. The *Cour des Comptes* and the Chamber of Deputies were aroused ¹ and the Administration addressed to its subordinates the following circular note:

"The Minister of Agriculture to the Directors of Breeding Stations: One of the directors of a breeding station has fraudulently appropriated 8,500 francs of the funds for the purchase of forage, and has applied this money in

¹ Discussion of the budget for 1889, Session of October 27, 1888.

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an unauthorized way. He derived no personal profit from it, but he has conspired with his personnel and the contractors in order to violate the regulations. After an investigation and upon an opinion rendered by the administrative council, the officer in question has been relieved of his duties." (November, 1888.)

Other cases on file at the *Cour des Comptes* might be cited. The most celebrated was discussed by the Chamber of Deputies, in March, 1872, resulting in the retirement of the Minister of Finance. Hereinafter is given an explanation of it by the Keeper of the Seals:

Other
Illustrations

"A prefect had funds intended for the purchase of furniture for an insane asylum. In the interval between two sessions of the *Conseil Général*, he needed funds for refurnishing a bedroom. Not having an appropriation for that purpose, he had two ways open to him; the first was to await the convening of the *Conseil Général*. . . . The second—and here lies the horrible abuse too often committed and which cannot be too strongly condemned—he issued a fictitious voucher calling for 11,000 francs for an insane asylum, while in fact, he used them for furnishing a bedroom." (National Assembly, March 9, 1872, speech of M. Dufaure, Keeper of the Seals, in reply to an interpellation on the reasons for the retirement of M. Pouyer-Quertier.) M. Dufaure added: "This is one of a thousand cases."¹

The submitting of documents as an exhibit in support of an expenditure, prior to the issue of a pay-voucher or pay-war-

¹ In fact, attempts to issue fictitious pay-warrants (*mandats fictifs*) are frequent, not always for the purpose of furnishing bedrooms but for the purpose of providing funds. The *Cour des Comptes* cites several examples in its annual report. Thus, comparing two accounts, prepared within an interval of three weeks, of work done on the construction of a fortification, the *Cour des Comptes* discovered that 89,050 cubic meters of earthwork mentioned in the first account had completely disappeared in the second. The 89,050 cubic meters of earthwork had been fictitiously imagined for the purpose of paying the contractor on account. (The affair of the Fort of Villeras, report of the *Cour des Comptes* to the President of the Republic for the fiscal period 1876, July 12, 1881.)

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rant, while not preventing abusive practices renders them at least difficult and facilitates their detection.

Disbursing
Agents
Verify the
Documents

The first two operations of the disbursing agents—the ascertaining of the amount of the appropriations and the verification of the documents—are concluded at the seat of the treasurers general in the *départements*. The third, that of the actual payment, does not rest with the treasurers general unless the interested parties desire to be paid at the capital of the *départements*. Otherwise, the treasurer general limits himself to putting his *visé* on the pay-warrant the regularity of which he certifies, indicating, at the same time, the subordinated accountant, special collector, collector or officer of the excise administration against whose office it is drawn.¹ The decree of May 31, 1862, reads as follows:

“The collectors of finances and their subordinate collectors must make, from their collections, all payments assigned against their offices. Other collectors of public revenues may also be called upon to coöperate with regard to the disbursing of an expenditure for the account of the disbursing agent.” (Article 354.)

The
Bearer of a
Voucher
Must Prove
His Right
to Collect

Regardless of who the disbursing accountable officer is, his duties consist, as far as the actual payment is concerned, first, in satisfying himself as to the identity of the bearer of the pay-warrant and of his right to collect the amount in question. (This is done from documents indicating his name and occupation, power of attorney, if he acts for someone else; documents showing his quality of heir and legal representative of his coheirs, in case the beneficiary is deceased, etc.) Then, the creditor is required to endorse the voucher or warrant preceded by the words, *received payment (pour acquit)*; in case the creditor is not able to write, he must make the sign of a cross, which has to be certified by two witnesses.² The paying of the funds then terminates the transaction.

¹ The agents who pay on account of the treasurer general and upon his *visé* have only to verify the identity of the payee and the genuineness of his signature, because the treasurer general before writing his *visé* has satisfied himself that the voucher comes within the limit of his delegated appropriations and that the documents substantiating the claim are regular.

² The rules relating to the way of signing the receipts by the payees are outlined in Article 363 of the decree of May 31, 1862.

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THE RESPONSIBILITY OF THE PAYMASTERS

If a paymaster does not consider regular the documents presented, if he has doubts as to the identity of the interested party or as to the genuineness of the signature of the authorities drawing up the certificate of indebtedness, or if certain figures of the pay-warrant or of the voucher fail to tally with those of the attached exhibits, etc., it is to be supposed that the Treasury will not honor them until rectified or furnished with proper certificates. The ordinance of September 14, 1822, which imposes so many obligations upon the *ordonnateurs*, gives them the following right: In case of refusing payment, says Article 15, the paymaster is obliged to hand immediately to the bearer of the voucher, a written declaration which is properly supplied with supporting arguments. "If, in spite of this declaration, the *ordonnateur* requires in writing and on his own responsibility that payment be made, the paymaster must make the payment without further delay."¹

This is a rather extraordinary authority accorded to the *ordonnateurs*; this privilege is known as the *right of requisition* (*droit de requisition*), and may be defined as follows: "A right, accorded the *ordonnateurs* to demand in certain cases, in spite of the refusal of the paymaster, the honoring of vouchers or warrants which they have issued."

The *ordonnateur* exercises this right according to rather complicated classifications,² enumerated in a rather haphazard way in the ordinance of 1822 and which may be summed up as follows: *First case*. The paymaster, before complying with the requisition of the *ordonnateur*, refers the matter to the Minister of Finance, who communicates with the competent minister and then transmits his orders. This way of proceeding, which would seem to be the only correct one, applies only to three exceptional cases, such as the lack of available appropriations, the failure of approval of the work done, and the invalidity of the receipt. *Second case*. The paymaster complies immediately with the requisition of the *ordonnateur* and makes the payment upon receiving the requisition in question. This is the general rule which applies in all cases,

The *Ordonnateur* Can Compel Payment

Routine Through Which Such Order Must Pass

¹ Article 15 of the ordinance of September 14, 1822, became Article 91 of the decree of regulation of May 31, 1862.

² Complications which doubtless result from the embarrassment of the editor, as seems to be shown by certain inversions in the order of the provisions of Article 91.

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save the three mentioned above. Let us cite as a possible case the lack of agreement between the figures of the various documents or between their legends, the earmarks of a fictitious pay-warrant, the fear of forged signatures, extra charges not approved and various omissions.

The Right
of
Requisition

The right of requisition, particularly in its second form, disturbs the logical succession of deductions which we have drawn. It seems to be irrational that the *ordonnateur*, whose responsibility¹ is neither precise nor sanctioned, should be authorized to open public treasuries in spite of the objections of their logical guardians. This constitutes a defect in the organization. The only excuse for maintaining these arbitrary interventions in our regulations lies in the great moderation with which they are used and the absence of abuses.

Penalties
for
Violations

Let us add, in conclusion, that the final article of the annual fiscal laws² extends its threatening provisions only to collectors guilty of peculation, without speaking of the *ordonnateurs* and paymasters who are just as guilty, whenever they transgress the legislative authorizations. This is an evident omission. The anathema of the final article should bear with equal heaviness on all agents who have charge of the execution of the budget; some day this will doubtless come to pass.

The money taken from the pockets of the taxpayers has thus finally reached its destination. The execution of the budget is completed. The whole operation has set moving more than 200,000 officers, of whom the Minister of Finance, who had the main function to perform, employs about 60,000; all these agents are necessary for the purpose of collecting and disbursing over 4,000,000,000 francs. The last of the provisions of Article 52 of the decree of May 31, 1862, reads: "The annual fiscal law makes the necessary appropriations for the anticipated expenditures of each fiscal period. The payment of these expenditures is provided for through ways and means included in the budget of revenues."

¹ However, Audibert, the Attorney General of the *Cour des Comptes*, has said as follows: "From the principle of ministerial responsibility resulted the obligation resting upon the accountable officer to pay off, in case he is so directed by the *ordonnateur*, any kind of expenditure even though not substantiated by documents prescribed by the ordinance of September 14, 1822." (Speech of November 3, 1885.)

² The text of the final article of the fiscal law is cited in *extenso* in Chapter XI.

CHAPTER XXV

MEANS OF CONTROL OVER DISBURSEMENTS

History of the Exceeding of Appropriations: The Case of de Peyronnet; This Case and the System; A Few Other Cases; Some Violations in the Ministry of the Navy.

Plans of Reform the Order of the Day: Ministerial Responsibility; Impossible to Make Them Personally Responsible; The Law of 1850; Plan to Bring the *Ordonnateur* Under the Chambers; The Commission on the Budget; A Bureau of Preventive Control; Other Proposals; Authority of the Minister of Finance.

Organization of the Service of Disbursements and of Control; Disbursements in England; Supremacy of the Comptroller and Auditor General; The Machinery; A Single Paymaster; Disbursements Controlled; In Belgium the *Cour des Comptes* Is in Control; It Must *Visé* All Vouchers; The Cabinet Can Order Payment of a Voucher; The *Visé* of the *Cour des Comptes* in Belgium; The Belgian System in Holland, Japan, Etc.; The *Cour des Comptes* in Italy; It Can Override the Decision of a Minister; It Can Return a Measure to the Chambers; The Chambers Ignore the Criticism; The Hidden Commitment; A Comparison of the Systems of Control; The Superiority of the Preventive Control; The *Cour des Comptes* the Best Means of Exercising It; In Italy the Disbursing Agent Is the *Intendente* of the Province; The Accounting Chiefs; Thirty-four District Treasuries in Russia; Vouchers with *Visé* of Trustees of the Treasury.

The organization [for disbursements] has been described as a thing of relative perfection, because every expenditure in France [has these characteristics]: (1) [It] is paid within the limits of an appropriation; (2) for work actually done, and (3) [it is paid] to a real creditor of the State. These three characteristics have positive advantages. Since, however, the practice of exceeding appropriations still continues, this method has certain defects, the chief of which we shall mention, and then indicate the remedies, and point the lessons furnished by the legislation of foreign countries.

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HISTORY OF THE EXCEEDING OF APPROPRIATIONS

The Case
of de
Peyronnet

The Keeper of the Seals, de Peyronnet¹—having transferred at the end of 1827 the offices installed on the first floor of the main building to an extension attached to the palace on the Place Vendôme, on the side of the rue de Luxembourg (at present rue Cambon)—furnished reception rooms and particularly a very fine dining room on the first floor. He had no time to receive the deputies at dinner in his dining room. The memoranda on the repair work were not even approved, much less paid, at the time of his going out of office, on January 3, 1828. His successor, Portalis, upon discovering that the work had been undertaken without an appropriation, refused with more or less kindness to pass the payment vouchers for the amount (179,865 francs), and asked the legislature for a supplementary appropriation. This demand formulated *ex abrupto* by the new ministry aroused the deputies. It meant that the expenditure had been made without an appropriation. In this case the personal responsibility of the previous incumbent of the ministry was involved. The law of March 25, 1817, was referred to; but as its articles limited themselves to raising the question of responsibility without answering it, the chambers did not succeed in determining the latitude of the provisions of law. Finally, out of the *Fund of the Seals* (*Caisse du Sceau des Titres*)—a secret fund at that time outside of the budget² (it has since been attached)—which fund supplied the Civil List, the debt of 179,860 francs was quietly paid without appropriation, and the matter was forgotten.

This Case
and the
System

From our point of view, it is necessary to state that this infraction of the budgetary rules—one of the most celebrated if not one of the most important—by no means reflects on the branch of the service making the disbursements. In fact no sum was paid without an appropriation. The minister alone was in error in issuing orders which were not authorized: But

¹ De Villèle, for seven years Prime Minister, author of laws on sacrilege, censorship, press, law of primogeniture, etc., became the object of much animosity; his colleague de Peyronnet became the victim. The opposing parties have exaggerated the affair of the dining room.

² The *Caisse du Sceau des Titres* was reincorporated in the budget, both in the matter of revenues and expenditures, by virtue of Articles 13 and 14 of the law of January 29, 1831.

MEANS OF CONTROL OVER DISBURSEMENTS

this did not unduly open the public Treasury. Precisely because of the fact that the contractors were not paid, special care was taken in 1829 to pay them quickly by means of hidden funds, in order to "satisfy creditors, whose work and goods had increased the value of the State's property." (Report on the Law of Accounts for the fiscal period 1828, submitted to the Chamber of Deputies by F. Lefebvre, November 5, 1830.)

Payments made without appropriation are quite exceptional. In 1830, for example, during the July Revolution, the central cashier of the Treasury delivered his funds, amounting to 371,051 francs, on the secret orders of M. de Montbel, Minister of Finance—funds used for the payment of the troops supporting the cause of Charles X (see Chapter IX). Other cases of making payments without appropriations, which lack the excuse of the *vis major*, might be cited, if we scanned the nearly complete list contained in the table of *découverts* of the Treasury;¹ and we should add the 5,744,000 francs of complementary appropriations already cited,² which were demanded by the bill closing the fiscal period 1882—a shortage occasioned by an unauthorized expenditure in Tunis.³ But, we repeat, these are rare and exceptional cases.

A Few
Other Cases

¹ General Account of Finances. The evolution of the *découverts* of the Treasury.

Distribution of money made to the troops during the days of July, 1830 (expenditure not allotted to the fiscal period, 1830).....	371,051 francs
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Payments for the arrears of the war (expenditure not allotted to the fiscal period 1832).....	270,560 "
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Payment of claims of elapsed fiscal periods concerning the ministry of war, not allotted in the expenditures for the fiscal period 1838.....	16,150 "
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Expenditure of the ministry of foreign affairs not allotted in the regulation of the fiscal period 1840...	5,000 "
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The speech made by M. Audibert, Attorney General, at the *Cour des Comptes* on November 3, 1885, explains in detail the nature and the cause of every one of the cases of exceeding the appropriations.

² See Chapter XVII.

³ The governors of colonies, without awaiting the arrival of the delegated payment vouchers, used to open appropriations for the secondary *ordonnateurs* by temporary decrees. Thus the payments were made before it was known whether there were any available funds from the appropriations voted by the legislature. A decree of May 16, 1891, has made efforts to put more order into this part of the service. Henceforth, the governors can open only temporary appropriations on their own authority *at the beginning of the fiscal period*. As soon as the beginning of the fiscal period has passed (a

THE BUDGET

Some
Violations
in the
Ministry of
the Navy

Almost never have the obstacles attending the issue of vouchers and their payment been overcome at once. The Peyronnet affair has been repeated again and again. Thus in 1887, the chapters of the budget of the ministry of the Navy—under the titles, *Purchases of battleships from private industrial concerns*, and *Purchases of torpedo boats*—which had been provided originally with an appropriation of 6,800,000 francs, at the end of the year carried a burden of 15,040,000, constituting an excess of 8,240,000. The facts were plain and no excuse could be offered; the Minister of the Navy was universally blamed. Several members of the Chamber of Deputies endeavored to invoke the provisions of the law of May 15, 1850, in order to make the Minister of the Navy personally responsible. The majority, however, being more conciliatory, made the transaction regular by voting a supplementary appropriation, which the deputy reporting on the budget justified in the following terms:

“The commission, as its report shows, did not intend to throw any veil over the mistakes made by the administration of the Navy. It did not, for a moment, intend to excuse the exceeding of appropriations; quite the contrary. Nobody sustains the exceeding of the appropriations. . . . But, apart from the administration of the Navy, there are *contractors who wait for the payment of their just debts*. Can the State fail to pay its just debts?”¹

In this connection, no payment as yet had been made without an appropriation. As the deputy reporting on the budget stated, the creditors had to wait until the supplementary appropriation had been voted in order to obtain their vouchers.

rather vague term), the rule which is applied in France will become obligatory, except for certain exceptional cases. (Report and decree of May 16, 1891.)

¹ Another appropriation of 6,750,000 francs covered an excess created by the Minister of War in connection with extraordinary works on fortifications. “The operation was absolutely irregular,” said the senator reporting in the name of the commission on finances of the Senate. “The vote on the 6,750,000 francs has the purpose of correcting this irregularity.” (March 31, 1888.) The supplementary appropriations alone permitted the payment of the expenditure.

MEANS OF CONTROL OVER DISBURSEMENTS

The minister was the only one who exposed himself through the issue of unauthorized orders.

The Minister of the Navy, in 1894, expended the sum of 317,000 francs without an appropriation in transforming the hulls and changing the mode of propelling battleships. "This work was not anticipated at the time the budget was made; the administration of the Navy has carried it out and asks us now to appropriate the necessary funds to pay the bills." (Session of the Senate, March 17, 1894.) The infraction in question always runs against the fact of payment, which becomes irresistible, because there are creditors who must be satisfied.

The list of these relatively old cases, selected because of their being particularly illustrative, might be considerably extended, by giving examples from more recent times. The same irregularities perpetuate themselves and are repeated every year. The discussions in the Senate—preceded by reports of M. Raymond Poincaré, in July, 1908—on the reconstruction of the National Printing Office, on the work done by the ministry of the Navy on the battleship *Jena*, etc., contain evidence that expenditures continue to be incurred prior to legislative sanction.¹ Moreover, relying upon the word of the deputies reporting on the budget² and the admission of the Minister of Finance himself,³ the majority of the requests for additional appropriations are made nowadays for the purpose

¹ Read the report of M. Raymond Poincaré, on the bill of additional appropriations of July 1908, and the discussion on this subject in the session of the Senate of July 13, 1908. Read also the report of M. Doumer, on the same date, which illustrates in the Chamber of Deputies the budgetary vicissitudes of transferring the National Printing Office to Grenelle.

² The Deputies reporting to legislative commissions deplored for a long time "the intolerable abuses by virtue of which the administrations knowingly and willfully incur new expenditures without having previously obtained from the legislature the necessary funds." (Reports of M. Camille Pelletan on the additional appropriations in 1898 and 1899.)

³ The statement of supporting arguments for the budget for 1909 contains provisions tending to increase the control over incurred expenditures. M. Josef Caillaux, Minister of Finance, expresses himself on the subject as follows: "The increase of additional appropriations could have been stopped, if the Minister of Finance had been informed sooner about the exceeding of appropriations, which is probable in the various branches of the service, instead of *finding himself confronted by an accomplished fact*, when the demands of appropriations are addressed to him." (Plan of the budget for 1909.)

THE BUDGET

only of securing legal recognition for moneys already spent. The system is thus tainted to a much greater extent than is shown by a mere outline of isolated cases.

What are the plans of the reformers with regard to such persistent abuses?

PLANS OF REFORM THE ORDER OF THE DAY

All plans of reform are aimed more or less directly at the incurring of expenditures—the weak point in the structure of regulation. The solution would seem to lie in strengthening the accounting control created by the law of December 26, 1890, if this control had not already been strengthened as we have seen;¹ it appears necessary to add several new provisions.

Ministerial
Responsi-
bility

In the first place, ministerial responsibility, if made effective, would end the irregularity. This responsibility, however, is already included in our financial codes. At the very beginning of the Restoration, the law of March 25, 1817, stipulated:

“Article 151. They (the ministers) shall not make expenditures on their own responsibility beyond the appropriations. Article 152. The Minister of Finance shall not, under pain of personal responsibility, authorize payments exceeding the appropriations. . . .” (Decree of May 31, 1862, Article 41.)

According to this text, two responsibilities are involved: that of the disbursing ministers and that of the Minister of Finance. The law of 1850 is more forceful still: “Every expenditure for which an appropriation has not been made . . . shall be charged personally to the guilty minister.” (Law of May 15, 1850, Article 9.) The only defect in this comminatory article is the lack of application. If the ministers acted on their own account, and if precise cases of personal obliquity could be made out against them, the laws of 1817 and of 1850 would probably not remain dead letters. But these precise and personal cases almost never present themselves. The ministers have to justify countless operations, known to them in the majority of cases only after they are *faits accomplis*; they

¹ See Chapter XXIV.

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are responsible for officers not of their appointment, whom they found on coming into office and whom they leave when going out. When someone makes a mistake anywhere in France the minister is blamed, M. Thiers used to say. How can this tangled situation be cleared? What penalty shall be meted out for deeds so distinct from their author? This was the query raised by M. Dufaure in 1872, when speaking of his long parliamentary career, after he had indeed witnessed the failure of five or six legislative plans relating to the responsibility of the ministers. Since 1872, several new plans have been devised¹ without yielding result; new occasions have arisen for the solving of the problem, which, however, still remains as it was.²

Impossible
to Make
Them
Personally
Responsible

The law of 1850, in spite of its energetic phraseology, indicates no authority which shall find a verdict, and no tribunal which shall prosecute the claim. Nor does it indicate whether deliberate violation, prevarication and simple irregularity shall stand on a common plane, or whether there shall be extenuating circumstances; or what shall be done when several millions of francs have to be claimed from ministers with no fortunes of their own. The provisions of this law heap a badly defined threat on the head of the *ordonnateurs*. "The ministerial responsibility resembles a scarecrow," said one deputy.³ There may come a day when the interpretation of the law of 1850 will result in a disaster for an imprudent minister. But, until another law is passed the barrier against exceeding the appropriations exists only in the imagination.

The Law of
1850

Other plans, apparently more practicable, tend to substitute during the execution of the budget, the supremacy of the Minister of Finance. They recall with complacency that the assemblies of the Revolution brought the *ordonnateurs* under their jurisdiction through the committees on Treasury and accounting bureaus. When the legislative power, they said, shall conduct the service of disbursement, the exceeding of appropriations will no longer be feared.

Plan to
Bring the
*Ordonna-
teur* Under
the
Chambers

¹ See particularly a plan resulting from parliamentary initiative in 1882 and a report on this subject from 1883. (Report of M. Antonin Dubost on the suggestion of M. Guichard.)

² Consult on the subject of ministerial responsibility the speech of M. Audibert, Attorney General at the *Cour des Comptes*, on November 3, 1885; this speech is inserted in the collection of his speeches. (National Printing Office, 1887.)

³ Chamber of Deputies. Session of January 23, 1896. Speech of M. Delbet.

THE BUDGET

"In our organization the accountable officers are controlled in every possible way. The *ordonnateurs*, who alone dispose of the appropriations voted by the chambers, are not controlled. The bureau of accounting must fill this gap. . . . The vote on the budget is only a delusion, if the chamber is not interested in its execution." (Bill of M. Brisson, repeated by M. Rivière, November 18, 1882.)

The
Commission
on the
Budget

Another plan—without going so far as to deprive the Government of its essential function, the execution of the budget—demands that the powers of the legislative committees be prolonged by a delegation analogous to the departmental commission of the general councils; this delegation would control the disbursing ministers, would supervise the liquidation of contracted expenditures, and examine the demands for additional appropriations, etc. Subdivided into sub-commissions, within each ministry, it would follow as closely as possible the execution of the budget without encroaching upon the functions of the executive power. This alluring program set forth in a report of M. Gaston Bozérian, on May 14, 1895, limited itself to confirming, together with the further developments, the present functions of the commission on budget in the matters of supplementary appropriations; when demanding them, the commission can require from the minister all possible information on expenditures incurred or otherwise. Moreover, the Chamber has stipulated that a schedule of incurred expenditures shall be periodically submitted to it. (Order of the day of June 23, 1894.) The commission on budget probably does not press very far its controlling function; the commission in question might very well profit from the disregard shown it through the unceasing infractions of the ministry; the commission should submit to the legislature the questions relating to the responsibility with more promptness and vigor. But is it necessary, in order to apply this excess of zeal, to split its members into eleven or twelve sub-commissions? And if these eleven or twelve sub-commissions, installed within each ministry, should take their functions seriously, would they not run the risk of obscuring the authority of the minister?

Generally speaking, the control during the execution of the budget could neither constitutionally nor practically rest with the legislature—not constitutionally, because the execution of

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the budget rests with the executive; and not practically, because the power of the legislature is so great that it cannot fail to encroach on somebody's functions the moment it interferes.

Other plans propose to fix the control within the executive power itself. One proposes the creating within each ministry of a bureau of preventive control, managed by inspectors of finance. The Minister of Finance, by means of his delegates could thus inquire into the details of the affairs of each bureau, and satisfy himself as to the regular use of their appropriations.

A Bureau
of
Preventive
Control

"All plans of expenditures for the various administrative services would be communicated to him. The comptroller should verify them from the point of view of legality and sincerity, and only after having satisfied himself as to the perfect conformity of the document in question with the legislative provisions should he place his *visé* on the document. . . ." (Bill submitted by Deputy Pradon, May 17, 1888. Favorable report of the commission on initiative, July 10, 1888.)

Other
Proposals

More recently another bill, after having shown to what extent the Minister of Finance is actually ignorant of what his colleagues are disbursing and still more as to the debts they are incurring, has proposed that it is necessary "to organize within the Ministry of Finance a general board of control of public expenditures." Furthermore, at the head of the accounting division of each ministry, there should be an officer appointed by the Minister of Finance upon suggestion of the minister to whom this accounting division is subordinated. (Suggestion of May 10, 1890.)¹ These ideas have now been partially put into effect since the above-mentioned law of July 13, 1911, was passed. In the majority of ministries the inspectors of finances direct the service of incurring expenditures. (Laws of March, 1903, and July, 1911.) M. Peytral, Minister of Finance, was animated by the same spirit when he officially suggested in 1888 that the management of the bureaus of accounting of all the ministries be centralized in his

¹ See besides this suggestion of M. Antonin Proust and Gotteron, Deputies, the report on the regulation of the fiscal period 1882, drafted by M. Félix Faure, Deputy, which contains a chapter with the following title: *Principes de comptabilité législative*, March 3, 1890. Refer also to Chapter XXIV.

THE BUDGET

Authority
of the
Minister
of Finance

hands in order to be able to follow as closely as possible the operation of passing payment vouchers and even of the incurring of expenditures by his colleagues. This plan, copied from the system in force in Italy,¹ has been abandoned, because of the change in the incumbency of the portfolio of finance.

The reënforcing of the power of the Minister of Finance, the conferring upon him of an effective supremacy over the other ministers, the establishing in France of an imitation of the Bureau of the Treasury in England—all these, it may be remembered, were touched upon in the beginning of this book.² We can, therefore, only renew our approval of the tentative reforms. But in France, can the authority of the Minister of Finance be further extended? Will the disbursing ministers tolerate too intimate an intrusion into their affairs by a colleague, who is over-anxious to control them? Various features of the precedence enjoyed by the Minister of Finance are now generally recognized, such as that the general management of the accounting of finances dominates all other accounting bureaus, that the management of the general transfer of funds satisfies itself that the ministerial vouchers do not exceed the legislative appropriations, that the paymasters verify the documents substantiating the expenditures attached to warrants, that the drafting and the statement of supporting arguments of the budget bill are exclusively in the hands of the Minister of Finance, that the latter has the power even to control the expenditures incurred by his inspectors in the several ministries, the incumbents of which have agreed to such an arrangement. Can new features of precedence be introduced? Will the disbursing ministers, rebelling instinctively against the financial control, permit new features of precedence to be introduced, particularly in case they anticipate that these are likely to become oppressive? In this lies the whole question, and in all probability no satisfactory reply can be given at the present time.

If, therefore, in the course of the execution of the budget, the direct control by the legislature constitutes a dangerous encroachment, if the control exercised by the Minister of Finance proves ineffectual in checking the course of his colleagues, and if, on the other hand, this ministerial initiative, particularly in certain departments, continues to follow help-

¹ See later on, the Italian system.

² See Chapter III.

MEANS OF CONTROL OVER DISBURSEMENTS

lessly in the wake of excessive expenditures, cannot other means be discovered to check these abuses? The examples of foreign countries will undoubtedly afford us instruction.

ORGANIZATION OF THE SERVICE OF DISBURSEMENTS AND OF CONTROL

In England, a superior officer, appointed by the Crown—and who can be recalled only through a joint address of the two chambers—the comptroller and auditor general, is at the head of the service of disbursements. Prior to the nineteenth century, the Exchequer had exclusive charge of the verification of accounts, either in the course of the execution of the budget or after the closing of the fiscal period. In 1785, Pitt withdrew from the Exchequer the auditing of the accounts prepared by the accountable officers, and turned this work over to a special staff called the audit office. In 1834, the Exchequer was deprived of another function—the control over the operations of the fiscal period; this function was relinquished to the comptroller general.

Disburse-
ments in
England

Finally, in 1865, the control of the public funds and the auditing of the accounts kept by the accountable officers after the closing of the fiscal period,¹ were combined in the hands of a single officer occupying a high position; this officer is the comptroller and auditor general to whom an assistant comptroller and auditor general is assigned.

No *issue* can take place, that is, no funds can be paid out of the Exchequer,² without the signature of the comptroller and auditor general. The latter receives requisitions on the Treasury, which he examines. If he finds that they are correct and that they are in conformity with the vote of Parliament, he countersigns the orders withdrawing the funds from the Exchequer. Thus, we have in England a superior agent—the chambers only can bring about his recall—who is charged with the strict execution of the will of Parliament, under the supreme supervision of which is placed the entire service of disbursements.

Supremacy
of the
Comptroller
and Auditor
General

This service deserves to be outlined in this connection. We have already indicated its salient feature, when speaking of

¹ See in Chapter XXIX the special function of the comptroller and auditor general.

² The Exchequer means the English Treasury. The institution of the Exchequer was abolished, as we have said, in 1834.

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The Machinery

the relations between the State and the Bank of England, which collects the tax levies made by the various fiscal administrations, attends to the transfer of the funds of the Treasury, and puts, by means of a current account, the necessary resources at the disposal of the agents who have charge of the disbursements. It has been said, besides, that the comptroller and auditor general alone can authorize the payment of funds out of the account of the Exchequer on the basis of requisitions by the Treasury. These authorizations are *en bloc*, and the bureau of the Treasury subdivides them in proportion to its needs, into partial *orders of credit*, issued in conformity with the daily demands of the ministerial departments and delivered, not directly to the creditors, but to the *paymaster general*. In former times, different *paymasters* were in existence. Nowadays, there is but one paymaster, the *paymaster general*,¹ a high officer, a member of the cabinet; in his name is carried the special account at the Bank of England, which is supplied by the funds paid out of the Exchequer.² The payees, notified by the Treasury, present themselves with the letter in question to the *paymaster general*, who has again received from the disbursing ministers a notification relating to the warrants which were issued. The payment is made after the documents supporting the expenditure have been approved and a receipt taken from the creditor. A single paymaster general residing in London thus attends to all the disbursements of the Kingdom (excepting the payment of interest on the debt, which is entrusted to the Bank, and several exceptional cases); this is the peculiarity of the English system. In this connection, we are very far from our eighty-seven treasurers general and the numerous paymasters under them. The existence of a single *paymaster general* in London would appear impossible, if it were not for the extent to which Eng-

A Single Paymaster

¹ The financial administrations, customs, inland revenue, posts and telegraphs, etc., can deduct from the amount of their revenues the payments which they have to make. For this purpose they have at the bank a personal account, a suspense account (*compte d'attente*) to which they deposit all their gross proceeds and from which they draw the funds necessary for their own expenditures.

² The paymaster general keeps in his treasuries the funds necessary for the daily disbursements, and leaves the surplus with the Bank of England on a special account, in order to be able to draw funds according to his needs or in order to be able to make large payments by means of transfers from and to the accounts of individual bankers.

MEANS OF CONTROL OVER DISBURSEMENTS

lishmen avail themselves of the services of private banks, through which every payee, no matter how distant from the city, cashes his warrant at the counter of the *paymaster general's* department and has the amount of his payment credited to his deposit account. A high French officer, sent to England on an inquiry with regard to this matter, says that occasionally special arrangements are made in favor of some small creditor, residing in a distant village, or of a pensioned soldier, for example, ignorant of the procedure of banking accounts, although the latter are commonly known; a special authorization permits the latter to cash his warrant at a public treasury nearest to his place of residence. Inversely, the payment of important sums is transacted, in the majority of cases, by means of simple transfers made at the Bank of England, between the account of the *paymaster general* and the personal account of the creditor. This organization is distinguished by its great simplicity and its extreme economy, which constitutes "a most desirable feature of the financial system of Great Britain."

In brief, England has committed the service of public expenditures to a comptroller and auditor general, who is independent of the executive power and who is charged with enforcing respect for the orders of Parliament. Correlatively, the bureau of the Treasury—the authority of which over other ministerial departments is preponderant and uncontested—is vested with the right of regulating the issue of payment vouchers by the ministers. The exceeding of appropriations is well-nigh impossible in such an organization. The budgetary statistics, cited previously in connection with the additional appropriations, amply substantiate this contention.¹

In other countries, the organization of the preventive control is entrusted to the *Cour des Comptes*. First, in Belgium,² Article 14 of the law of October 27, 1846, reads: "No payment voucher shall be honored by the Treasury unless it shows the *visé* of the *Cour des Comptes*." The *ordonnateurs* submit, prior to any operation of payment, their payment vouchers for the *visé* of the *Cour des Comptes*. This *visé* is given only

Disburse-
ments
Controlled

In Belgium,
the *Cour
des Comptes*
Is in
Control

¹ See Chapter XVII.

² On the subject of the *Cour des Comptes* in Belgium read the work of 208 pages, published in 1892, by M. Victor Marcé, Councilor at the *Cour des Comptes*, former student at the Ecole des Sciences Politiques, and his *Traité de la comptabilité publique*, collection Dalloz, 1905.

THE BUDGET

It Must
Visé All
Vouchers

after their regularity has been ascertained. The *Cour des Comptes*, in this connection, has the most extreme latitude of action. At the time of the discussion of the law of October 27, 1846, it was suggested that the refusal of the *visé* be limited to cases where appropriations were exceeded, to irregular charges, to fictitious pay-warrants, etc. Although the field still remains large, the Chamber admitted no restriction in order, it was said, not to diminish a necessary control by limiting it or by giving this control a definition. The giving or refusing of the *visé* is not submitted to any special condition. The *Cour des Comptes*, furthermore, may require any substantiating document which it may deem to be useful. When the *visé* is refused, the cabinet discusses the subject. If the cabinet finds it necessary to decide against the *Cour des Comptes*, the latter is obliged to give the *visé*, but *with reservations*,¹ which reservations are submitted to the chambers, which become, in the last instance, the judges of the conflict.

The
Cabinet
Can Order
Payment of
a Voucher

“Whenever the *Cour des Comptes* does not deem it proper to give its *visé*, the motives of its refusal are examined by the cabinet of ministers. If the ministers decide that the payment should be made, the *Cour des Comptes* gives its *visé*, but with reservation. The *Cour des Comptes* then states its motives in its yearly report to the Chamber.” (Belgian law of October 27, 1846, Article 14.)

The *Visé*
of the
Cour des
Comptes in
Belgium

In brief, the originality of the Belgian system consists in the substituting of the *visé* by the *Cour des Comptes* for that of the Minister of Finance, which is in force in France. Substitution like this, however, is very important; the *Cour des Comptes* is an independent authority, the power of which is eventually doubled by the power of the legislature, and by the publicity of its injunctions and it inspires the *ordonnateurs* with a particularly effective respect. In a sufficiently large number of cases, this control prevents irregular expenditures from being made, because the ministers restrain themselves, or because the cabinet of ministers or the legislature confirms the veto of the *Cour des Comptes*. Moreover, the *Cour des Comptes*, in order to avoid a conflict, very often withdraws its

¹ This is the old registration *en Lit de Justice* with this profound difference, that the *Cour des Comptes* can appeal to the representatives of the country.

MEANS OF CONTROL OVER DISBURSEMENTS

negative on the promise that the infraction will not be repeated. Finally, it is sufficient for the ministers, says M. Victor Marcé, to confront the solicitors with the shadow of the *Cour des Comptes* in order to protect themselves from temptations. "Although at times the control is an annoyance to the ministers, these high officers avail themselves of it under certain circumstances when appeals are made to their sympathy." This is an observation of the *Cour des Comptes* itself. Let us add, in this connection, that the Belgian system is in operation in Holland, Portugal, Chili, Japan and Italy.

The Belgian
System in
Holland,
Japan, Etc.

The power of the *Cour des Comptes* has been pushed even further in Italy. Italy, following the example of Belgium, passes the control over the payment vouchers and disbursements to the *Cour des Comptes* according to the following text:

The *Cour
des Comptes*
in Italy

"Every payment voucher signed by the minister or his deputy is transmitted to the *Cour des Comptes*, which registers it and equips it with its *visé*, after having satisfied itself that it violates no law and that the amount for which it calls does not exceed the limit of the respective appropriation." (Law on public accounting of February 17, 1884.)

In conformity with this general rule, the following article provides that "in no case—under the strict personal responsibility of the central treasurer and of the provincial treasurers, cashiers and collectors—shall any payment voucher be paid which fails to bear the *visé* of the *Cour des Comptes*." (Articles 46 and 57.) Therefore, when the minister has signed an order and the chief of the accounting bureau, organized within each ministry, has countersigned it, it is transmitted to the Italian *Cour des Comptes* for its registration and *visé*, provided it is found that the law has not been violated, that the charges as to chapters and fiscal periods are regular, and that the appropriation has not been exceeded. In case the *Cour des Comptes* refuses to register, on the score of insufficiency of appropriations or from irregularity of charge against the chapter, the payment voucher is annulled and it is not permitted to issue as in other cases with the registration with reservation (*con riserva*).¹ So far, the measures have been analogous to those we have studied.

¹ *Revue politique et parlementaire* of March 10, 1896. Article of M. Lampertico, Senator of Italy.

THE BUDGET

It Can
Override
the
Decision of
a Minister

It Can
Return a
Measure to
the
Chambers

The
Chambers
Ignore the
Criticisms

To this control, exercised with regard to the payment vouchers, the Italian *Cour des Comptes* has added another, which is characteristic and quite new to us: All the royal decrees,¹ all ministerial orders, all governmental acts liable to involve the finances of the State—such as contracts awarded to the highest bidder, mutual agreements, appointments of officers, granting of pensions, organization of the personnel—prior to their enactment, shall be communicated to the *Cour des Comptes*, which has charge of controlling their conformity with the legislative provisions. Following the results of this examination, the *Cour des Comptes* either registers and gives its *visé* or refuses to do so. In the latter case, which is necessarily exceptional, the causes of refusal are stated in a formal opinion, which is transmitted to the proper minister. If the latter insists upon the execution of his decision and if the cabinet of ministers, to whom he must immediately refer it, shares his opinion, the *Cour des Comptes* in full session of all its sections must again discuss the matter. In case the second opinion of the *Cour des Comptes* shall uphold the first, it is nevertheless compelled to register the act, but *with reservation*. The grounds for its decision are communicated to the presidents of the Senate and of the Chamber of Deputies in order that the legislature may pronounce itself, should it deem proper, as to the responsibility of the executive power.

Any matter registered *with reservation*, in accordance with the law of August 14, 1862, which established the *Cour des Comptes*, was originally supposed to be transmitted to the Chambers about January of each year. The law of August 15, 1867, ruled that these transmissions should be made every fifteen days, so as to shorten the interval between any possible

¹ The law of August 14, 1862, stipulates that all the royal decrees, without distinction, shall be communicated to the *Cour des Comptes*. "Article 13. All the royal decrees, regardless of source and regardless of subject, shall be submitted to the *Cour des Comptes*, in order that the latter may affix its *visé* and register them." The decrees, however, which bear upon the dissolution of municipal councils, marriage licenses, the granting of the *exequatur*, etc., escape this formality. It goes without saying that the publication of laws is not subject to a *visé* by the *Cour des Comptes*. (Article of Senator Lampertico.) The laws of July 11, 1889, and of June 4, 1893, confirmed the principle formulated in the law of 1862 in the following terms: "The legal incurring of an expenditure of any amount whatsoever must be approved by the *Cour des Comptes*."

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infraction and its control by the legislature. The latter, however, now seems to have abated in its enthusiasm. M. Lampertico speaks of the *carelessness* of the Chamber of Deputies and of the Senate of the Kingdom, with regard to decrees or documents brought to their attention, which would otherwise get stale on the shelves. It seems even that, owing to this carelessness, the Government has acquired the habit of governing by decrees, although they are marked *with reservation*, without disquieting itself. *Legal decrees* (*decreti-legge*) were being issued, the false label of which voided preventive control.

These, however, are all criticisms which relate to situations created under an autocratic ministry, which has disappeared. Because, generally speaking, the author adds that the acts and decrees criticized by the *Cour des Comptes* "do not remain a dead letter in the Chambers; on the contrary, they often occasion wrangling"; particularly since certain outbursts in the Senate have reminded the Government of its duties. There still remain, however, the *impegni latenti*, that is, disguised engagements or contracts, which no ministerial act reveals and which the *Cour des Comptes* cannot uncover with its *visé*, but the existence of which, although concealed, is certain; these concealed commitments, once established, develop so that in the end their payment by the public Treasury becomes inevitable. In 1905, M. Luzzatti, Minister of the Treasury, submitted a bill intended for the purpose of combating these *impegni latenti*, which destroy the organization of preventive control. These tentative abuses only confirm the merits of the preventive control and its efficiency from which the enemies of economy try by all means to escape.¹

The Hidden
Commitment

¹ The preventive system of control by the *Cour des Comptes* in Italy has been shown in various documents. The first one is a speech made by Advocate General Biollay, at the convening session of the *Cour des Comptes* on November 2, 1882. The second is a series of reports of an inspector general and an inspector of finances sent on special mission to Italy; extracts from these reports were published in the *Bulletin de statistique* of the ministry of finance in August, 1888. M. Victor Marcé, Councilor at the *Cour des Comptes*, published in the *Annales de l'Ecole des Sciences Politiques*, of April 15, July 15 and October 15, a very complete study on the Italian *Cour des Comptes*. The already cited article of Senator Lampertico is based on a very scientific work, under the title *Comptabilité d'Etat*, by Senator Gaspar. Finally, the interesting work on the *Contrôle des Budgets*, by M. Emmanuel Besson, considers very much in detail

THE BUDGET

If, however, the question is raised of introducing into France the system of control in Italy, the merits of this system have been contested:

A Com-
parison of
the Systems
of Control

"The final control of the action," it has been said, "is sufficient to prevent the abuse. Well exercised, the final control becomes more effective than the preliminary, which is always superficial, not being based on the complete documents. . . . The judicial body, intervening in the course of administrative operations, delays them, clogs the wheels of the State mechanism and interferes generally with affairs. To avoid these results, preventive control has relaxed and everything is permitted to pass. . . . The *Cour des Comptes*, committed by previous approval of acts as they occur, can no longer judge the accounts *a posteriori* with full independence. . . . A fundamental principle of the parliamentary régime, the responsibility of the ministers cannot be conciliated with the system of preventive control, etc."

The first president of the *Cour des Comptes* declared that, "without bringing to the actual organization the *dangerous* modifications of preventive control," it would be possible to give to the country the guarantees which it still lacked. These objections¹ may be recapitulated as follows: (1) The preventive control remains superficial, because exercised hastily it views separately each successive fact; it lacks, therefore, a view of the things in its entirety; (2) in daily contact with the actual facts, the preventive control exposes the *Cour des Comptes* in an unpleasant way to the passions and interests of the moment; (3) previous approvals given in the course of the administrative period tend to fix and even to vitiate the decisions which the *Cour des Comptes* might render later on a *posteriori*: these *a posteriori* decisions will always form the most

the organization of the Italian *Cour des Comptes*. The same is the case with the work of M. René Gervais, former student of the *Ecole des Sciences Politiques*, under the title *Le contrôle des dépenses engagées*. The chapter devoted by M. Gervais to the Italian system is particularly scientific and useful as a reference.

¹ These objections are quoted from a speech of M. Biollay, Advocate General at the *Cour des Comptes*, the works of M. Victor Marcé quoted in the course of this book, from the speech of the first president of the *Cour des Comptes* made during the solemn session of April 2, 1896, and from the work of M. Emmanuel Besson.

MEANS OF CONTROL OVER DISBURSEMENTS

essential part of its mission. Besides, the reform is *dangerous*, as indicated by the first president of the *Cour des Comptes*, for the reason that it is an innovation, an unknown quantity.

The aforesaid objections are based more on hypothetical fears than on invalidating exceptions. Because it would seem possible to suppose on the contrary: (1) That the preventive control applied to limited subjects, emphasizing very precise infractions need by no means be superficial; (2) that the *Cour des Comptes* should always remain, owing to its neutral position, unscathed by influences, passions, and interests of the moment; (3) that the control *a posteriori* could in no way be vitiated by the approval of governmental acts, because this approval existing only in the absence of the refusal of a *visé*, that is of negative acts, could not possibly be binding on a definite judgment. These three counter-hypotheses possess at least as much probability as the original ones.

Furthermore, the question presents itself in its totality as follows: Since the evil of exceeding appropriations is constantly increasing, prompt remedies are necessary; nobody contests this fact. On the other hand, preventive control possesses a recognized superiority, not only by virtue of the maxim, prevention is better than cure, but because without it the *ordonnateurs* suffer no repression save that of the ministerial responsibility, which has proved to be illusory. An Italian author, M. Giovanni Gianquinto, quoted by M. Victor Marcé, has said quite justly:

The Superiority of Preventive Control

“A final control is sufficient for the accountable agents, because they give a bond. The ministers, however, give no bond which would guarantee the State reparation for damages. Therefore, a preventive guarantee is necessary which would *in time* put their responsibility into operation.”

As the necessity of preventive control is admitted, who shall exercise this control? We have seen the Minister of Finance already assuming a function of control, with regard to his colleagues, which is more than sufficient, considering the authority vested in him; the legislature, on the other hand, could not possibly absorb the function of preventive control, except at the price of a regrettable confusion of powers. As a last resort the *Cour des Comptes* is left. Its high degree of

The *Cour des Comptes* the Best Means of Exercising It

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competency needs no demonstration. Its privileged position permits it to dominate the secondary motives and interested claims. Being a board, far from the daily life of the administrations, the *Cour des Comptes* remains independent of the executive power. Accustomed to coöperate with the legislature, it inspires everybody with a wholesome fear. The exceeding of appropriations always finds its master in this authority and the abuses could never be checked, if not through this opportune intervention—an intervention which takes place before the evil is done.

Let us conclude, by describing briefly, the service of disbursements in foreign countries.

In Italy the
Disbursing
Agent Is the
Intendante
of the
Province

The Treasury in Italy is entrusted to the *intendante* of each province, who centralizes in his hands all the financial services. Instead of our various departmental directors and treasurers general, Italy has in each of its sixty-nine provinces a single fiscal agent, charged with directing simultaneously the excise duties, the direct taxes, the domains and other branches of fiscal administration, the accounting work, the treasury and the issuing of payment vouchers; together with a bureau staff, including a chief of the accounting division and entire sections of officers specialized for each branch of financial administration, he alone represents the Minister of Finance in the entire province. The payment vouchers delivered by him are taken from a stub register and addressed to paying agents, who are not supposed to pass them out of their hands, because every creditor is sufficiently notified by a simple notice. The system of having a stub register and of holding the pay-warrants has the advantage of removing every danger of loss or falsification, and of facilitating, at the end of the year, the compilation of tables showing the balances to be paid. The National Bank (*Banca Nazionale*) actually transacts the operation of the Treasury in nearly all of the provinces for the payment of dues, with the assistance of one comptroller of the commissariat attached to each agency.

The Ac-
counting
Chiefs

At the top, the Minister of the Treasury exercises control over his colleagues by virtue of his authority; this control has already been spoken of in Chapter III. "The chiefs of the accounting division of the various ministries are appointed upon suggestion of the Minister of the Treasury in coöperation with the minister to whom the service is subordinated." (Law of February 17, 1884, Article 21.) Moreover, the Minister of the Treasury submits these chiefs to all the

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regulations which he deems necessary to issue and has them verified by central inspectors of the public accounting authority. "The accountants of the various ministries keep their records in accordance with that of the general administration of accounting, and are, in fact, subordinated to the supervision of the director general." (Law of February 17, 1884, Article 22.) The director general of accounting even has the power to summon, if he deem it necessary, the chiefs of the accounting divisions of the ministries in order to demand of them information and statements which he may need or for the purpose of giving them written instructions. (Decree on Public Accounting of May 4, 1885, Article 192.) Again, he acts as chairman at their periodical meetings. Because of the fact that these chiefs of the accounting divisions not only keep records of operations performed, but also receive communications with regard to contracts, agreements and every other kind of act "from which result engagements affecting chapters of the budget or charges to be made against the State" (Article 196, of the aforesaid decree), we see that the director general of accounting, through these chiefs of accounting divisions could dominate all the disbursing ministries, in case such a supremacy were feasible.

In Prussia, the public treasuries open only to the pay-warrants, properly equipped with regulation *visés*. In each of the thirty-four districts of Prussia, there is a *central Treasury* (*Central-Kasse*) analogous to our treasurerships general, except that the districts are larger than [the French] *départements*, and that an entire category of expenditures remains outside of the scope of the work of the central Treasury, such as foreign affairs, the Army and the Navy, which have their special treasuries. The inspectors of finances in France, in their reports, criticized this complication of treasuries, which ends in keeping idle a fund of over 40,000,000 marks.

Each treasury includes three classes of officers: a director, a bookkeeper and a cashier; the funds are paid out only on the basis of payment vouchers bearing the *visé* of the *trustees of the Treasury* (*curateurs des caisses*), members of a governmental board, ranking with prefect or sub-prefect. The trustees give their *visé* after having satisfied themselves that the expenditure involves no exceeding of appropriation, or falsification.

Everywhere, therefore, we find between the disbursing minister and the paymaster an authority which defends the rights

Thirty-Four
District
Treasuries
in Prussia

Vouchers
with *Visé*
of Trustees
of the
Treasury

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of the legislature and guarantees respect for its decisions. No Treasury is left to the discretion of the *ordonnateurs*. The more effective the power of the intermediary authority, which separates the *ordonnateurs* from the Treasury, the more perfect the financial machinery appears to be.

CHAPTER XXVI

THE CLOSING OF FISCAL PERIODS

Fiscal Periods Open Indefinitely Prior to 1822: Controversy Between Calonne and Necker; The Decree of December 22, 1790, Divorced the Old Régime; Measures to Clarify the Financial Situation; Summary Laws Under the Restoration.

Closing of the Fiscal Periods: Arguments on the Closing of the Fiscal Period; M. Roy; The Ordinance of September 14, 1822; Shortening of the Terms for Closing Accounts; Supplementary Measures; Table Showing Record of Progress; Five Schedules of Delay; How Expenditures Are Disbursed Without Appropriations; Devoted to General Readjustments.

Mechanism of the Accounting for Closed Fiscal Periods: Arrears from an Expired Fiscal Period; This Rule Now Amended; The Law of Regulation or Approval; Supplementary Appropriations; The Law of May 23, 1834.

Quinquennial Forfeitures: Law of January 29, 1831; Three Exceptions to the Quinquennial Rule; Claims Falling Under Exceptions; Fiscal Periods Are Ended.

Closing of the Budget in England; Accounts of Balances in Italy; in England Unused Appropriations Are Annulled; How the Transition Is Made; In Italy Transition Effected Differently; Abuses Under the System.

Carrying Forward Appropriations from One Fiscal Period to the Next: Designed to Prevent Abuses.

Before beginning the last part [Part IV], which is devoted to the *Control of the Budget*, we must first close the fiscal period. We have now reached the last phase of the fiscal period with which this book opened, and here important rules refer to the *closed fiscal periods* and *elapsed fiscal periods* (*exercices clos* and *exercices périmés*).

FISCAL PERIODS OPEN INDEFINITELY PRIOR TO 1822

For a long time the fiscal period in France remained open indefinitely. Beginning with the year from which it derived its name, it continued until exhausted. No closing date was assigned to it. This conception of a fiscal period, while perhaps perfect in theory, involved in practice the greatest of

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Controversy
Between
Calonne
and Necker

abuses. First, the operations were never closed. Thus, shortly before the Revolution, although the reign of Louis XV had lasted for fifty-nine years, the accounting branch continued to audit expenditures dating as far back as the reign of Louis XIV. It is interesting to pass from this point to the voluminous discussions between Calonne and Necker. When either of these ministers quoted the results of the previous year, even those results which were certified by the *comptes au vrai*, the other confronted him with different data, which he said were taken from more exact resources, because more recent.¹

"It seems quite easy for a Minister of Finance to make an exact account of the annual revenues and expenditures. The confusing of the various fiscal periods, the almost inevitable tangle of the present, of the past and the future, the rejection of *assignments* carried forward from one year to another, . . . all these causes make it extremely difficult to distinguish what belongs to each single year." (Report of Calonne, Comptroller General, to the Assembly of Notables, February 22, 1787.)

Furthermore, favorites used to obtain the renewal of old claims which were depreciated or which had lapsed, and which obliging ministers made payable indefinitely. Necker, in his account submitted for the year 1781, scored the "payments of outlined claims acquired at a vile price, and their funding through loans and other ways besides. . . ."

The Decree
of
December
22, 1790,
Divorced
the Old
Régime

After 1789, when the new administration felt the necessity of severing its management from all that had gone before, its only chance—there was no middle ground—was to proceed to an extraordinary liquidation, which was ordered by the decree of December 22, 1790. A commission was to examine each expenditure with a view to determining its date, in order to reject on the one hand everything prior to 1789, and on the other hand, everything that matured in the future. The decree of April 17, 1791, completed the measure by fixing January 1, 1791, as the definite point of departure for the new era. "The fiscal period 1791, shall then begin, being entirely separated from all entanglements with the past." (Report of Lebrun in the name of the committee on finances, November

Measures
to Clarify
the
Financial
Situation

¹ The history of the *Finances de l'ancien régime et de la Révolution* gives the details of this famous quarrel.

THE CLOSING OF FISCAL PERIODS

15, 1790.) These first liquidations, which apparently were only simple matters of internal accounting, gravely affected the creditors of former times, for whom payment in *assignats* was stipulated. The law of August 24, 1793, which established the great ledger of the public debt, went further still by deciding that the creditors who were behind with their statements should forfeit their interest by January 1, and the principal by July 1, 1794. Because of the fact that many were absent, having emigrated or been sentenced to death or imprisonment, etc., this forfeiture wiped out the public debt in a summary way.¹ Further, in the Year VI of the Republic (1797-1798), Minister Ramel, in order to rid himself of the arrears of Revolutionary times, by the law of the 24th Frimaire, Year VI of the Republic (December 14, 1797), divorced the old accounting from the new and shortly afterward, the laws of the 8th Frimaire, Year VII of the Republic (November 28, 1797), passed as a supplement of the preceding law, provided that the holders of accounts to be liquidated "should be compelled to submit their claims before the next first Germinal, *under penalty of forfeiture.*" The Consulate broke with the past by procedures not less arbitrary, which were sanctioned on the 30th Ventôse, Year IX of the Republic (March 21, 1801); the details of these procedures are given in Chapter V. The forfeitures pronounced by the laws and decrees of 1808, 1809, 1810, also deserve to be mentioned.

The Restoration, feeling once more the need for drawing a dividing line between the past and the present, officially pronounced the closing of the fiscal periods prior to 1816, by the law of March 25, 1817; this law directed "the creditors of the past to produce their claims within a period of six months, after the publication of the law. Once this period had elapsed, the claims would no longer be considered." The date of forfeiture was extended until April 1, 1823, by the law of August 17, 1822; and then until January 1, 1832, by the law of January 29, 1831. Finally, the law of May 4, 1834, proclaimed the closing of the liquidation of all claims originating prior to 1816. It was only on July 1, 1834, after eighteen years that the period, fatally prolonged, was closed with a total of 653,000,000 francs of arrears from the period prior to 1816.

Summary
Laws Under
the
Restoration

¹ See the *Finances de l'ancien régime et de la Révolution*, Chapter XXIV.

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So much trouble and even abuses and violent measures¹ were occasioned periodically by reason of there being no regular closing of fiscal periods until the Restoration finally came to appreciate this need. This reform was introduced by the ordinance of September 14, 1822. In order to appreciate properly the character of the innovation which was introduced into our budgetary accounting by that ordinance, we must state that the preceding arbitrary liquidations may be divided into two categories: One having the exclusive purpose of closing the internal accounts of the State; the other more radical, did not shrink from introducing measures working forfeitures against creditors who were behind with their statements.

The ordinance of September 14, 1822, satisfied only the first of the two plans; it dealt with the closing of the accounts. Ten years later, in 1831, the legislature broached the question of forfeitures.

CLOSING OF THE FISCAL PERIODS

Just like many important matters, the ordinance of September 14, 1822, issued under the inspiration of de Villèle, had been preceded by several unavailing attempts. In 1820, a deputy stated that five budgets were open at the same time; the budgets of 1816, 1817 and 1818 were regulated by legislation but not closed, because there was no closing date; and besides the budgets for 1819 and 1820 had been recently voted. More budgets might have been enumerated, had it not been for the fact that those prior to 1816 had been liquidated *en bloc*, as has been stated. In order to put an end to such confusion,² it was requested: First, that the law should henceforth declare the closing of each fiscal period on November 1 of its second year. "This measure," said its author, "will free us in the future from these hopeless mazes of old budgets, in which we are tangled at present." (Suggestion of Bignon, Chamber of Deputies, August 18, 1820.) The Min-

Arguments
on the
Closing of
the Fiscal
Period

¹ Court records, under the dates of the aforesaid laws and decrees, contain traces of the grave wrongs suffered by the interested parties.

² "In fact, gentlemen, as soon as an appropriation is made for a previous fiscal period, the ministry can at will apply the funds this appropriation has made available. You already have the proof that certain appropriations defrayed expenditures which were entirely without relation to the fiscal period for which they were originally made." (Speech of M. Bignon, April 18, 1820.)

THE CLOSING OF FISCAL PERIODS

ister of Finance, M. Roy, however, was opposed to the adoption of this suggestion and set forth the following reasons:

"The course proposed would bring about a mix-up of all the fiscal periods. It would not permit one to follow the facts characteristic of each and to verify the figures in case a minister had exceeded his appropriations. The facts and the expenditures of a fiscal period which had expired would be confused with the facts and the expenditures of the current fiscal period. It would be impossible to see through it."

M. Roy

M. Roy¹ feared a very real danger. It is a fact that the closing of a fiscal period throws back *en bloc* upon the current fiscal period all the balances to be collected or to be paid; this is likely to favor abuses, if the necessary precautions are not taken; these precautions consist of ascertaining at the proper time and stopping the expenditures by a *non-varietur* order, so that they shall not exceed the appropriations available for the closed fiscal period.²

M. de Villèle, however—leaving to experience the solving of these objections—introduced under the ordinance of September 14, 1822, the following provisions:

The
Ordinance
of
September
14, 1822

"All the expenditures of a fiscal period shall be liquidated and vouchered within nine months after the expiration of the fiscal period." (Article 10.) "In case the creditors fail to claim their payments before December 31, the payment vouchers issued in their favor shall be annulled, *without prejudicing their rights, however, and without prejudicing the reissue of payment vouchers.*" (Article 12.)

The rights of the creditors, as we have indicated, are safeguarded in an absolute way. This measure concerns only the internal accounting and only creditors who are behind with

¹ The same Count Roy in 1834, as we shall see, in his capacity of reporting on the budget to the *Chambre des Pairs*, suggested complementary measures necessitated by the ordinance of 1822.

² In Italy the deficits of the account of credit and debit balances had no other reason for existence. We shall speak about them later on. In France actual exceeding of appropriations is often ascertained with regard to the expenditures of closed fiscal periods. (See Report of Deputy Burdeau, March 12, 1889.)

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their statements take the chance of being delayed in the securing of new payment vouchers. The closing of the fiscal period, therefore, may be defined as follows: "The closing of a fiscal period is an administrative operation by virtue of which the revenues and the expenditures, after the expiration of a certain term, cease to be attached to the year during which they originated."

Shortening
of the
Terms for
Closing
Accounts

The ordinance of September 14, 1822, specifies two things to be done at the closing of fiscal periods: One relates to the liquidation and the issuing of payment vouchers; the other, relates to payments; these two are the more important. Others have been added, however, as we shall see later. Moreover, the term of the delays has been gradually reduced. The creation of new grounds for delays, with the reducing of their term, marks the phases of progress since 1822 and which have been consolidated by the laws of 1889 and 1899. Let us mention rapidly the intermediate dates.

Supplemen-
tary
Measures

The date fixed for the liquidation and the issue of payment vouchers was advanced from September 30 to July 31 by the decree of August 11, 1850; and then to March 31 by the law of January 25, 1889. The date fixed for payment was advanced in 1825 from December 31 to November 30, in 1833 to October 31; by the decree of August 11, 1850, to August 31; and finally by the law of January 25, 1889, to April 30. Furthermore, the ordinance of May 31, 1838, introduced a new case of extension in order to "complete within the limits of open appropriations the operations with regard to materials (*matériel*), on work begun but not finished before the preceding December 31, because of *force majeure* or for reasons of public interest"; this work can be continued for one month after the end of the year, that is, until January 31. The revenues as well as the expenditures were included within the limits of the closing of fiscal periods by virtue of the ordinance of May 31, 1838, which supplied the omission of the ordinance of 1822.

Finally, the law of January 25, 1889, fixed a fourth and a fifth category in the closing of the fiscal period, for June 30 and July 31 of the second year, in order to authorize the supplementary appropriations and to complete certain interior operations, as will be explained later.

The provisions of the law of January 25, 1889, were reproduced verbatim in the law of February 25, 1899, except for certain corrections with regard to the schedule of closing

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on July 31.¹ The following table presents the summary of these successive phases:

TABLE SHOWING RECORD OF PROGRESS

Laws and Decrees	Dates of Closing of					
	Comple- tion of Works	Passing of Payment Vouchers (Ordon- nancements)	Payments	Colle- ctions	Supple- mentary Appropri- ations	Changes of Charges, Transfers, Regulari- zations, etc.
Ordinance of Sept. 14, 1822 .....	.....	Sept. 30	Dec 31	.....	.....	.....
Ordinance of Aug. 31, 1825 .....	.....	.....	Nov. 30	.....	.....	.....
Ordinance of July 11, 1833 .....	.....	.....	Oct. 31	.....	.....	.....
Decree of Aug. 11, 1850 .....	.....	July 31	Aug. 31	.....	.....	.....
Decrees of May 31, 1838 and 1862	Feb. 1	.....	.....	Aug. 31	.....	Nov. 30
Laws of Jan 25, 1889 and Feb. 25, 1899	Jan 31	March 31	April 30	April 30	June 30	July 31

The law of February 25, 1899, which now regulates the matters in question, recognizes definitely five schedules of delay in the closing of the fiscal periods: January 31 of the second year, for the purpose of completing works under way; March 31, for the liquidating and passing of payment vouchers covering expenditures; April 30, for collections and payments; June 30, for the authorization and regularization of certain expenditures by means of supplementary appropriations; July 31, for rectification of the records. The first three—relating to works under way, the passing of payment vouchers, and to payments—are, as we see, brought close to the end of the year; here lies the chief reform introduced by the laws of 1889 and 1899, and which would require long explanations, if it were not for the fact that Chapter V has already extensively treated the question of the complementary period. The delays have been reduced *as far as possible*; therefore, if abuses still remain, the fault is inherent in the system itself.

Five
Schedules
of Delay

The last two schedules mentioned in the law of 1889 have a peculiar and complicated character. The question arises in the fourth case, as to the purpose of the supplementary appro-

¹ The law of July 13, 1911, established for the expenditures of *annexed budgets* (*budgets annexes*) a special complementary delay extended until July 31 of the second year of the fiscal period; it seems useless to insert this delay in the table hereinafter given.

THE BUDGET

How Ex-
penditures
Are
Disbursed
Without
Appropriations

priations authorized from April 30 to June 30, when one is no longer permitted to issue payment vouchers or to pay anything. To what kind of expenditures do these posthumous authorizations apply? They apply to expenditures already disbursed without appropriations, as the commentaries expressly state. They are nothing but regularizations, made beforehand, because the committing of infractions is anticipated. The estimating is limited to "expenditures concerning charges made obligatory by the fiscal law and the amount of which can be known only after the execution of the operation." This means, that only *estimated appropriations* (*crédits évaluatifs*) come into consideration exclusively in this connection. Finally, the law takes cognizance of the probability of the appropriations being exceeded, when in the eyes of the law there should be no such probability. The preliminary reports drafted by the commissions on budget¹ give long explanations on this subject; we therefore refer the reader to these, as well as to the work written by M. Victor Marcé.²

Devoted to
General
Readjustments

The fifth case carries its pages open until July 31 of the second year, in order to enable the Administration to correct errors in the charges, to make restorations of appropriations from one ministry to another, to carry out rectifications of various sort, which are involved in the current operations of the fiscal period, etc. Chevrey-Rameau, Director General of Public Accounting, said: "There is a period during which the administration collects itself and makes an examination of its conscience before presenting itself before its judges. This is the moment when all erroneous charges are regularized." (Session of the Senate of November 14, 1887.)³

¹ Report of Deputy George Cochery, December 28, 1888.

² "Notice sur la loi du 25 janvier 1889 relative à l'exercice financier," by Victor Marcé. Extract from the *Annuaire de législation française*.

³ The speech of Chevrey-Rameau, in 1887, deserves to be cited more extensively. Although the dates indicated by him have been changed by the law of 1889, his illuminating remarks illustrate the mechanism of the operations of closed fiscal periods. "The distinguished previous speaker will undoubtedly permit me to ask him what he understands by the closing of the fiscal period. The closing of a fiscal period is an incomplete designation. I myself am familiar with a large number of such closings of the fiscal period and, although I do not want to make a show of my erudition, I will have to ask you to permit me to enumerate them. There is a first closing of the fiscal period—and this one is the most important in my eyes; this is the closing of the fiscal period on December 31 of the year

THE CLOSING OF FISCAL PERIODS

As soon as this last work of rectification is completed, the fiscal period is definitely closed for all interested parties, except for the cases of carrying forward (continuation) of appropriations relating to the completion of programs, industrial operations, etc., recently approved by the law of February 27, 1912.

MECHANISM OF THE ACCOUNTING FOR CLOSED FISCAL PERIODS

The ordinance of September 14, 1822, declared on the subject of the mechanism of closed fiscal periods:

"If among the expenditures made in one fiscal period, there were some which cannot be liquidated or paid before the date of the closing of the account, they shall be paid only by virtue of royal ordinance authorizing the charging of these expenditures against the current fiscal period." (Article 21.)

The balances of expired fiscal periods, therefore, shall be charged against the current fiscal period. This rule still remains in force. The ordinance of September 14, 1822, however, issued this rule without reënforcing it with precautionary measures, without determining, for example, the limit of appropriations within which these belated charges should be kept, thus leaving to the ministers the liberty of charging against the current fiscal period any arrears which they deemed proper to assign to this current fiscal period. Here lay the realization

Arrears
from an
Expired
Fiscal
Period

which gives the name to the fiscal period. After this date no further expenditures for the closed fiscal period can be incurred. There is a second closing of the fiscal period on January 31, for continuing, within the limit of open appropriations, the expenditures for materials. On July 15 there is another closing of the fiscal period for the secondary *ordonnateurs* of expenditures. On July 31 there is again a closing of the fiscal period for the main *ordonnateurs*. On August 20 there is again the closing of the fiscal period for the subordinated accountable officers; on August 31 for the main accountable officers. Finally on November 30 there is a definite closing of the operations. From August 31, the date on which the last payments may be made, to November 30 there is a period during which, if I may be permitted this expression, the administration collects itself and makes an examination of its conscience before presenting itself before its judges. This is the moment when all the erroneous charges are regularized. . . ." (Senate, November 14, 1887.)

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of the fears expressed in 1820 by M. Roy; disorder and confusion indeed resulted from this measure, as is stated by the drafters of the law of 1834:¹

“Through a grave abuse, payments have been made by various ministries without legislative appropriation, which have amounted to 12,000,000 out of 23,000,000 of back payments. The ministers deemed themselves authorized to pay for these operations, even for those which exceeded the original appropriations, and without obtaining supplementary appropriations for the purpose.” (Speech of M. de Mosbourg, Deputy, April 24, 1834.)

This Rule
Now
Amended

The remedy for the evil consists in paying no account for a closed fiscal period without a previous legislative appropriation. The law of May 23, 1834,² states that at the end of the fiscal period—when it is no longer permitted to liquidate an account, to pass or to pay payment vouchers—the appropriations relating to belated claims shall be annulled, that is they shall temporarily lose their identity in the public treasuries. It becomes necessary, therefore, to provide these claims with new appropriations in order to have the ministers reissue payment vouchers; the words *without prejudice to the rights of the creditors of the State* dominate the entire matter. For this purpose, a list of debts still to be paid, made out at the time of the closing of the fiscal period, is inserted in the law of regulation of the accounts of the fiscal period. This law then undertakes to make the appropriations necessary for the payment of these outstanding debts. It is by virtue of this new authorization, the law of regulation, and within its limits only, that the ministers can reissue payment vouchers.

The Law of
Regulation
or Approval

¹ “According to the general account of finances for 1833, out of 24,454,442 francs of debts which had to be paid after the closing of the different fiscal periods, still unaffected by the statute of limitation, there was an amount of 12,065,599 francs relating to debts which were ascertained only after the fiscal period was already closed, and which, therefore, were not subjected to the control of the chambers, when the submitting of the law on accounts has intrusted the chambers with comparing the expenditures disbursed with the appropriations made and with publishing by their votes the results of this comparison.” (Report of M. Calmon in the name of the commission on budget. Chamber of Deputies, April 18, 1834.)

² An ordinance of October 12, 1833, had previously issued analogous provisions which, however, were not deemed sufficiently explicit by the Chamber.

THE CLOSING OF FISCAL PERIODS

As the law of regulation is always passed very late, it has been admitted that even before it is voted, the simple inserting of lists of balances to be paid in the *bill* would be sufficient to authorize the ministers to proceed with their issuing of payment vouchers. The decree of May 31, 1862, stipulated:

"Article 125. The expenditures which the accounts show still remain to be paid at the time of the closing of the fiscal period and which were authorized by regular appropriations, may be vouchered by the ministers against funds of the current budgets, before the law of regulation of the fiscal period has been voted." The law of regulation then makes sacrosanct appropriations by means of the following formula: "The payments to be made for the purpose of balancing the expenditures of the budget of the fiscal period . . . shall be vouchered against the funds of current fiscal periods."

As far as claims which do not form part of the list of balances to be paid are concerned, they become payable only by virtue of supplementary appropriations voted by the chambers. The law of May 23, 1834, stipulated: "In case claims duly fixed against a closed fiscal period are not included in the balances to be paid, which are determined by the law of regulation, they can be provided for only by means of supplementary appropriations." (Article 99.)¹ These supplementary

Supplemen-
tary Appro-
priations

¹ "It is necessary that this law should contain the authorization to pay for all the debts ascertained in the law on accounts until the date of the forfeiture of the claims. As far as the debts which were ascertained only after the balancing of the fiscal period are concerned, a supplementary appropriation alone can give to the expenditure the necessary legality. These are the bases of the system: No payment is made on the debits of closed fiscal periods without an authorization by the legislature, which is given either by a law regulating the accounts or by a law granting supplementary appropriations." (Report of Deputy Calmon, April 18, 1834.)

Henceforth the ministers shall include the payment vouchers to be issued for the current fiscal period and with regard to the closed fiscal periods within the limit of appropriations made by the law of regulation for the expenditures remaining to be made after the closing of the fiscal period. Beyond this, supplementary appropriations shall become necessary. These provisions are the result of previously voted laws. They contain measures of order, the advantages of which are obvious." (Report of Count Roy, in the *Chambre des Pairs*, May 17, 1834.)

THE BUDGET

appropriations, in accordance with the law of March 30, 1902, must be presented in a separate plan. In brief, all appropriations for closed fiscal periods, no matter what their origin, are made by law. If by special indulgence the appropriations forming a part of the *balances to be paid* (*restes à payer*) are temporarily available,¹ the law of regulation does not fail to sanction them subsequently. A special chapter of the budget for the current fiscal period, for each ministry, is charged with the payment vouchers for the expenditures of closed fiscal periods. This chapter, under the title *expenditures for closed fiscal periods*, contains no definite figures of an appropriation; it is open only as a *memorandum* (*pour mémoire*).²

The Law
of May
23, 1834

The law of May 23, 1834, recapitulates what we have just explained:

"The ministers are supposed to keep the payment vouchers for the current fiscal period, in consideration of the closed fiscal periods, within the limits of appropriations per chapter as annulled by the laws or regulations, for the sake of the expenditures remaining to be paid at the close of the fiscal period. These payment vouchers are charged against the special chapter, opened as a memorandum and a routine matter in the budget of each ministry without special allotment of funds. The total of payments made during the course of each year, for the closed fiscal periods, is credited to the chapter in question and included among the legislative appropriations at the time of the regulation of the fiscal period."

¹ The list of balances to be paid (*l'état des restes à payer*) is submitted because of its importance, to verification by the comptrollers of incurred expenditures. (Law of July 13, 1911.)

² Calmon, in 1834, thus explained the reason of the existence of this formula *memorandum*: "In fact, if the funds necessary for payment of belated expenditures were added to the current budget, there evidently would be useless repetition. The expenditures of the chapter for closed fiscal periods shall be paid by means of funds which remain available from the operations of preceding budgets. Every fiscal period hands down a portion of its expenditures to the following fiscal periods, together with corresponding resources. . . . The special chapter, opened with the legend, a *memorandum* (*pour mémoire*), is an expedient of accounting rather than an element of the budget." (Report of April 18, 1834.)

THE CLOSING OF FISCAL PERIODS

QUINQUENNIAL FORFEITURES

The administrative closing of the fiscal period, as we have said, leaves intact the rights of the creditors of the State. As long as the ordinance of September 14, 1822, alone regulated the question, the creditors of the State could submit their claims and demand liquidation, the issuing of payment vouchers and payment, if not indefinitely at least within the limits provided by the common law and contained in the Civil Code. The Administration thus remained for ten, twenty, even thirty years exposed to the danger of unforeseen claims, without being able to proceed in proper time to a definite auditing of expired fiscal periods. The progress of ideas has recognized that it would be better to create a regular system of limitation for the benefit of the Treasury than to continue the system of arbitrary liquidations spoken of in Chapter V; this was realized by the law of January 29, 1831, which read:

Law of
January 29,
1831

“Article 9. All claims shall be put under the statute of limitations and definitely cancelled for the benefit of the State, . . . which—not having been paid before the closing of the appropriations of the fiscal period to which they belong—could not, through lack of sufficient proof, be liquidated and paid within a period of five years, beginning with the opening of the fiscal period. This limit applies to creditors residing in Europe, and a period of six years to all others.” (Article 126 of the decree of regulation of May 31, 1862.)

According to these provisions, every unpaid expenditure at the end of five years, counted from the beginning of the fiscal period, is automatically canceled. This constitutes, as we have said, a special statute of limitation¹ for the benefit of the State.

The law of January 20, 1831, however, adds: “Article 10. The provisions of the preceding articles shall not apply to claims, the payment of which could not be effected by action of the Administration or by an appeal to the *Conseil d'Etat*.” The State, in fact, cannot declare the creditors barred, if the

¹ This special limitation of five years, applicable by virtue of the law of 1831 to all the debts of the State, should not be confused with the quinquennial limitation of bond coupons, which was established by Article 2,277 of the Civil Code.

THE BUDGET

Three
Exceptions
to the
Quinquen-
nial Rule

delay on the part of the creditors results from an action of the State. There are three exceptions to the quinquennial rule: (1) That of creditors residing outside of Europe, which prolongs the statute one year; (2) the fault of the Administration; (3) an appeal to the *Conseil d'Etat*.

The fiscal period, arrived at the limit of its fifth year, disappears from the accounting. "The fiscal period, arrived at the limit of forfeiture, is no longer carried in the accounting of the ministries," says Article 134 of the decree of May 31, 1862. Each year a fiscal period is thus definitely ended. On January 1, 1908, the fiscal period of 1903 was canceled from the accounting records. On January 1, 1909, the same was the case with the fiscal period of 1904. On January 1, 1915, the fiscal period of 1910 was closed. Thus, in succession, on fixed dates, all the fiscal periods pass from the official portfolio into the archives of history.

Claims
Falling
Under
Exceptions

Claims, subsequently approved by virtue of one of the three exceptions classified above, go under the name of *claims for elapsed fiscal periods* (*créances d'exercices périmés*), and are paid from appropriations made as a memorandum (*pour mémoire*) in a chapter of the current budget of each ministry, which chapter is headed: *Expenditures for elapsed fiscal periods not affected by limitations* (*Dépenses des exercices périmés non frappées de déchéance*).¹ Special laws, in accordance with Article 77 of the law of March 30, 1902, determine their figures which are substituted in the course of the fiscal period for the heading, a memorandum (*pour mémoire*).²

Fiscal
Periods
Are Ended

The fiscal periods are terminated in France in two ways: (1) Within the Administration on April 30, June 30, or July 31, of their second year, with the reissue of the payment vouchers on the closed fiscal period of unpaid claims. In this connection, the claims of the creditors are respected and upheld. (2) By virtue of quinquennial forfeitures of all old claims, save a few exceptions, admitted as expenditures of elapsed fiscal periods. In this way the claims of creditors are definitely annulled.

¹ The budget of every ministry ends with the following two chapters:

Expenditures of elapsed fiscal periods not affected by limitations—Memorandum.

Expenditures of closed fiscal periods—*Idem*.

² For details consult the *Traité de l'extinction des dettes de l'Etat par la déchéance quinquennale*, by M. George Tabareau.

THE CLOSING OF FISCAL PERIODS

CLOSING OF THE BUDGET IN ENGLAND; ACCOUNTS OF BALANCES IN ITALY

In England, where the accounts are regulated by annual administrative periods and not by fiscal periods, the closing of the operations at the end of the fiscal year is very simply done. All the appropriations not used are annulled. "The appropriations can only be used for payments in the course of the fiscal year," says Sir Stafford Northcote in an article in the *Dictionnaire de la Politique*, previously mentioned. A new vote for the following year revives the appropriations for unpaid claims, in case it is necessary.¹ In England, therefore, the accounting of closed fiscal periods is unknown. As soon as a fiscal year is ended, in the evening of March 31, the operations of that fiscal year are not prolonged under any form. The new year, which opens on April 1, includes, without distinction as to origin, all payments disbursed from its first to its last day. Certain adjustments, however, mitigate the effects of a sudden stopping of the accounts. We have seen that the Bank of England opens a special account for the *paymaster general*. When the end of the fiscal year is approaching, this account receives, by legal authorization of the comptroller and auditor general and of the Bureau of the Treasury, an allotment of from 50,000,000 to 55,000,000 francs. This sum is to be used during three months to cover the expenditures of the expired fiscal year, in case these have been vouchered prior to April 1. The account of the Exchequer, closed irrevocably on the evening of March 31, leaves among the assets of the special account of the *paymaster general* a balance which is sufficient to liquidate officially the arrears.

In England,
Unused Ap-
propriations
Are
Annulled

How the
Transition
Is Made

Italy, where the system of accounting by administrative periods also prevails, has solved the difficulties of the transition period somewhat differently. In theory, when consulting only the text of the regulations, the Italian system appears to be beyond criticism. The system seems, in any case, to be scientifically articulated, as we shall see. The annual admin-

In Italy
Transition
Effected
Differently

¹ Until 1862 the civil services could report their unused appropriations at the end of the year. Neither the civil services nor the ministry of war, nor of the navy, can do this any longer, except when, in the beginning of work to be continued, a rough estimate of their total cost has been voted. The work continues from year to year within the limits of this rough estimate.

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istrative period in Italy, from July 1 until June 30, includes not only, as in England, the operations of the Treasury, but also the *droits constatés* during this period, as has been explained in Chapter V. As soon, therefore, as accounting begins to absorb a portion of the *droits constatés* not as yet collected or paid, it is necessary that the actual fact of these collections or of these payments be followed in a routine account. Hence, there results the opening of *accounts of debit and credit balances* (*comptes des reliquats actifs et passifs*) created outside of the budget. "The revenues ascertained but not collected, the expenditures ascertained, liquidated and vouchered but unpaid, constitute the credit and debit balances of the fiscal period," says Article 171 of the decree of May 4, 1885.¹ The form of these accounts is apparently quite regular.² The vouchering of expenditures is subjected in these accounts to the same rules as obtain through the fiscal period and is subject, like the expenditures of the current fiscal period, to a *visé* of the *Cour des Comptes*, which controls the documentary evidence and the regularity of budgetary appropriations.³

¹ According to the text of the law of July 17, 1889, not only the ascertained expenditures (*dépenses constatées*), but even the incurred expenditures (*dépenses engagées*) seem to be a part of the fiscal year in Italy. "The appropriations relating to the ordinary expenditures of the budget and not used by the end of the year shall be annulled. There shall be considered as being used all the amounts which the State has obligated itself to pay, either by virtue of contracts or for works or supplies, which shall be carried out or furnished in the course of the fiscal period."

² The account of the balances forms a distinct account from that of revenues and of expenditures belonging to the current fiscal period; this is the case to such an extent that no expenditure relating to the balances to be paid can be charged against the appropriations of the current fiscal period, and *vice versa*. (Article 32 of the law of February 17, 1884.)

M. Cerboni, Director General of State Accounting in Italy, wrote as follows, in 1885: "In Italy, the fiscal period consists essentially of the simple ascertaining of the *droits* to the credit and debit of the Treasury, without neglecting, however, the results of funds, . . . in such a way that, after having closed the administrative period of the Treasury on June 30 of each year, the balances are carried forward to the accounts of the coming year just as is the case with the simple credits and debits of the Treasury."

³ The expenditures thus carried forward to the account of balances can be liquidated and paid, beginning with July, without waiting for the vote of the legislature which approves them in the definite general account. (Article 59 of the law of February 17, 1884.)

THE CLOSING OF FISCAL PERIODS

Nevertheless, abuses originated and developed to an extent which temporarily discredited the system.¹ The more or less regular interpretation of Article 310 of the decree of 1885 made it possible to consider certain expenditures as incurred, the amounts of which had not as yet been determined (liquidated); and, as a result thereof they were liable to be included in the account of the balances. Under cover of this, the ministers changed the figures of balances which were originally ascertained, rectified the liquidations and proceeded to strike other balances supposed to be more exact. As M. Magliani, Minister of Finance, wrote on February 2, 1888: The debts of the State entered among the balances "should not *technically speaking* undergo any change." Immediately, however, the minister added that this idea had not been respected and that the exigencies of administrative experience did not cease to require exceptions. Miscalculations, particularly in matters of public works, exhausting and exceeding appropriations, were for a long time concealed in the bosom of balances. "In practice," said he, "the account of balances has not always been kept with equal care by the several ministerial departments." For the decennial period, 1877-1887, appropriations were exceeded by 104,500,000 francs. The annual average, however, decreased as the end of the period was reached. In 1885-1886 there was an excess of only 7,363,000 francs; and in 1886-1887 of only 1,867,000 francs. The evil has disappeared by degrees, and since certain reforms were introduced by the law of July 17, 1889, the gaps in previous regulations now appear to have been filled. It is to be hoped that the abuses of former times will not recur. Should such be the case, the Italian system will still preserve the precious advantage of promptness in producing accounts almost as complete as ours, which are rendered very tardily.

Abuses
Under the
System

CARRYING FORWARD APPROPRIATIONS FROM ONE FISCAL PERIOD TO THE NEXT

The annuality of budgets, proclaimed in Chapter XV, has a necessary consequence in the annulment of appropriations not used up until the end of the fiscal period; the rules of annulments were presented in that chapter. These two measures are correlated; one engenders the other. However, we have

¹ Statistical bulletin of the ministry of finance, issue of August 1888, extract from a report on Italian accounting.

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already seen how the mechanism of closed fiscal periods permits the carrying forward to following fiscal periods of appropriations relating to expenditures incurred, but not vouchered nor paid on the closing date. This carrying forward, however, only tends to protect the claims of the creditors of the State. The same is the case with the important innovation inaugurated by Article 71 of the law of February 27, 1912, which reads as follows:

“Each year a special law shall carry forward to the current fiscal period—with the same distribution equalizing the annulments which said law shall determine for the preceding fiscal period—the appropriations relating to: (1) The carrying out of programs concerning national defense; (2) the supplying as well as the establishing of industrial services of the State; (3) the continuation of works controlled by contract or which will expressly appear in the budgets.”

Designed
to Prevent
Abuses

The pretext for these new measures is primarily to combat the inveterate abuses of administrations, which, at any cost, exhaust the total of their appropriations by the end of the fiscal period. Henceforth, instead of their taking over with them the balances of appropriations, they will be given to them the following year, after they have been carried forward. Undoubtedly the legislature will remain indefinitely the only distributor of appropriations carried forward, as well as of all others. Is it not likely, however, that a dangerous obscurity may soon shroud the accounting of these allotments, which are thus carried from year to year and superimposed on those of the current fiscal period?

PART IV

CONTROL OF THE BUDGET

CHAPTER XXVII

NECESSITY OF CONTROL

Revolutions Due to Lack of Control: The Work of Vuitry; The Rule of the Financiers; De Marigny Was Hanged; La Guette; Remy, Montaigu and Des Essarts Executed; Jacques Cœur, Semblançay and Fouquet; The Court of Justice of 1716; A Chamber of Justice in 1721; The End of the Tax Farmers.

Ordonnateurs and Accountable Officers: The Functions of These Contrasted; Three Classes of Control.

Administrative Control Over the *Ordonnateurs*.

Administrative Control Over the Accountable Officers: The Accountable Officers' Report; The Books of the Accountable Officers.

Double Entry Accounting: Double Entry Bookkeeping; The Place of Single Entry; Double Entry Accounting Means Security; Léon Say's Fanciful Picture; Possibility of Fraud; Some Illustrations.

Judicial Control Over the *Ordonnateurs*.

Judicial Control Over the Accountable Officers: The Accountable Officer Must Render Statements; These Statements Are Examined.

The control of public revenues and expenditures has been exercised at various times in our history under very different conditions, varying with the degrees of financial prosperity of the country; the control discloses and at the same time serves to augment financial prosperity, and therefore may be taken as its index as well as a cause.

REVOLUTIONS DUE TO LACK OF CONTROL

No control was in existence in those early times (primitive from the financial point of view) at the close of the feudal monarchy of which Chapter II of this book took account. The conscientious work of Adolphe Vuitry¹ on the financial

¹ *Etudès sur le régime financier de la France*, 2 vols., 1883.

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The Work
of Vuitry

administration of Philip the Fair and of the first Valois, discloses but few of the rudimentary elements of accounting. "At the time of the accession of Philip the Fair, there was no administration of finances, or at least it was confused with the general administration of the country." Under the successors of Philip the Fair certain progress was made. But after arriving at the end of his work, in the year 1380, under Charles V, Vuitry declares in brief, that "the confusion and trouble which reigned, in the operations of the Treasury, resulted not from an insufficiency of resources but from an inadequate procedure, and from rules followed in the administration of public wealth and in the handling of the royal funds."

The Rule of the "Financiers": This lack of control involved long-standing evils. Financiers appropriated to themselves without restraint the spoils of the nation, and used for their own profit the funds intended for the Treasury; the only restraint lay in the fact that when their plundering exceeded the measure of tolerance they were hanged. It was a summary procedure of control *a posteriori*, in those early times. This statement is not exaggerated.¹ The ministerial chronology of the early superintendents of finance (*surintendants des finances*) confirms it.

De Marigny
Was
Hanged

Enguerrand de Marigny (from 1301 to 1315), after the death of his protector, Philip the Fair, was arrested in the Louvre, imprisoned in the Temple and from there transferred in chains to Vincennes. He was accused of having counterfeited money, of having overwhelmed the people with taxes, of having extorted rich gifts, through a ruse, from the late King, of having stolen 40,000 *écus* intended for the Pope, of having cut down forests, of having accepted bribes, of having permitted the preparations for the last war against the Flemish to fail, etc. . . . Convicted² of all these crimes by

¹ "Under the kings, when the ministers of finance did not succeed, the procedure with them was very simple. They were either beheaded or exiled. From Enguerrand de Marigny to Necker there were thirty-seven ministers broken on the wheel, hanged, beheaded or exiled because they ceased to please. Nowadays, the ministers of finance get off much easier." (Speech of the senator in charge of the general report on the budget for 1890. Senate, July 11, 1889.)

² Many historians see in the sentencing of Enguerrand de Marigny the result of a political grudge. None of these historians, however, would consent to guarantee the integrity of Enguerrand de Marigny.

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an assembly composed of princes, peers of the realm, barons, prelates, etc., he was condemned to death by hanging. On April 30, 1315, on the eve of the feast of the Ascension, before daybreak, the sentence was carried out and his body was carried to Montfaucon.

The second on the list is La Guette (from 1316 to 1322), who was accused—after the death of Philip V, called “the Long” by the latter’s successor, Charles IV, “the Handsome”—of having embezzled 1,200,000 *livres* from the Treasury (more than 30,000,000 in our present money). He was put in prison and examined on the wooden horse. The ordeal was so great that he died a few days later.

La Guette

The third one, Pierre Remy (from 1322 to 1328), accused of stealing funds belonging to the king and to the nation, confessed when put on the wooden horse. He was executed on April 25, 1328, and his body hung on the gallows at Montfaucon, which he had ordered repaired some time before. Later, Montaigu (from 1381 to 1409) was accused of embezzlement. The commissaries, appointed as his judges, made him admit his guilt with regard to the question at issue. His head was cut off with an ax on October 17, 1409.

Remy, Montaigu and Des Essarts Executed

Pierre des Essarts (from 1410 to 1412) was tried by the *Parlement*. His head was cut off in the *Halles* on July 1, 1413. Pierre de Giac (in 1425), under Charles VII, was arrested in bed at Issoudun, and, in January, 1426, under sentence of the court, was strangled and thrown into the river.

We have not exaggerated when saying that nearly all of the early superintendents of finance were either hanged, beheaded or drowned.¹ These acts of violence continued. In 1450, Jacques Cœur, in spite of his former services, was accused of speculation and deprived of his castles, farms, galleys, mer-

Pierre Clément, in a notice which he devotes, with his customary erudition, to Enguerrand de Marigny, seems disposed to exculpate him. He also gives details as to the figures of his wealth, “the greatest and largest which a private individual has ever amassed in France,” which aroused great doubts as to its origin. Adolphe Vuitry limits himself to saying: “Enguerrand de Marigny was the victim of hatred and a political grudge. The other two, Gérard de la Guette and Pierre Remy, were probably more guilty of speculation and malpractices.”

¹ The accountable officers of our day when thinking about this prefer the overscrupulous verifications by the inspection of finances, the annoyances on the part of their superiors and the injunctions of the *Cour des Comptes* to these procedures of the middle ages.

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Jacques
Cœur,
Semblançay,
and Fouquet

chant-ships, furniture, silverware, etc. The death penalty imposed upon him was commuted to life imprisonment. Under Francis I, de Semblançay, an old man whom the King used to call father, aroused suspicion¹ and was hanged in 1522.²

Everybody knows of the prominence, the luxury and finally of the trial of Fouquet, which was held before a commission of twenty-two members, the charge against him being perjury. A decision was rendered only after three years. "Praise God, and thank Him, our poor friend has been saved," wrote Madame de Sévigné; "I am so relieved that I am beside myself." In fact, in spite of the pressure on the part of the King, Fouquet was not condemned to death, but for nineteen years, until the end of his life, he was confined in the fortress of Pignerol.³

¹ Pierre Clément devotes himself to the task of exculpating Beaune de Semblançay. "Nothing proves," he said, "that Beaune de Semblançay was guilty of acts of ascertained malpractice which would be manifest because the decisions of the two commissions by which he was tried have no moral value." Beaune de Semblançay while in office also acquired a considerable fortune, and if his condemnation can be considered in the first place as the result of revenge on the part of the Duchess d'Angoulême and of the jealousy of Chancellor Du Prat, the charges of peculation brought forth against him can hardly be refuted.

² At the end of the sixteenth century, Sully set forth in his *Mémoires*, the embezzlements of the financiers: "In these times of confusion, the royal funds were the prey of the one who grabbed them first. The revenues of the king were not sufficient for the avidity of the financiers which ordinarily grew through public suffering. I had great troubles in unravelling the mysteries of the people of this profession. I discovered all the secret sources of the collectors. There were a large number; forgeries of pretended uncollectable debts, expenses for carriages, spices, etc.; all these were so many resources used for the profit of the clerks who absorbed a portion of the revenues. . . . The contractors (*fermiers*) and the Treasurers of France realized almost twice as much as the sum for which the contract was given to them."

³ Petitjean, Attorney General of the *Cour des Comptes*, in a speech at the opening session of November 3, 1876, dealt specially with the extraordinary tribunal of 1661 which had charge of trying Fouquet. In his speech Petitjean quotes the terms of the edict constituting the tribunal in question which declared, "that the king wanted to strengthen his government by a repression of abuses committed in the finances. A certain number of individuals have during the last few years used illegitimate means in order to amass quick and prodigious fortunes. . . ." Petitjean furthermore adds: "The frauds of Fouquet cannot be denied. Under a government which announced its firm intention to reestablish order in the finances, similar mal-

NECESSITY OF CONTROL

Later, in critical times, the courts of justice and torture chambers undertook the task of auditing the accounts. The most celebrated court of justice, convened in 1716,¹ after the death of Louis XIV. It summoned the financiers who had grown rich, in order to inform itself as to the extent and the sources of their wealth; it encouraged denunciations by promising a portion of the plunder to the informers, thus introducing treason in the midst of families. These rank inquisitions uncovered 219,000,000 of illicit profits. Unfortunately, out of the 4,410 individuals who were fined, the majority escaped having to pay owing to the intervention of courtiers. The trials developed opportunities for bargaining between those who needed protection and those who could sell it.

The Court
of Justice
of 1716

After the failure of Law, a new court of justice, organized by the decree of January 16, 1721, examined all the securities put in circulation during the Law régime. This *visé*—intended to affect individuals rather than the accountable officers—reached 2,452,000,000 of *livres* belonging to 511,000 owners; only 1,700,793,294 *livres* were approved. This was a reduction of more than 700,000,000, which had accrued from an extraordinary issue of 187,893,661 *livres*, based on the notorious Mississippi securities.

A Chamber
of Justice
in 1721

Thus, until the middle of the eighteenth century, violent, arbitrary and intermittent procedures took the place of a permanent and regular control, which was lacking at the time evil conditions reached their high mark. The last example

practices necessitated severe punishment, if for nothing else, at least for the sake of an example.

The interesting details given by Chéruel in his work, *Mémoires sur la vie publique et privée de Fouquet*, on the trial of the Superintendent, confirm the opinion just quoted; the erudite author, however, did not deem it necessary to draw personal conclusions as to the subject of the guilt of Fouquet. This guilt, as far as the embezzlement is concerned, is shown more explicitly by the works of two jurists who, after having criticized the form of the trial, agreed on the statement that after all the charges preferred against Fouquet were justified. (Speeches at the opening conference of attorneys at law, one made in Paris by M. Léon Dero, on November 27, 1882, and the other in Marseilles by M. Pijotat, January 7, 1882.)

¹ The chambers of justice were in operation long before 1716. An edict of June, 1625, even expressly ordered that regularly every ten years there should be established a chamber of justice "in order that the malpractices of officers and people engaged in the business of the collection, handling and distribution of public funds shall not go unpunished."

THE BUDGET

The End of
the Tax
Farmers

of this can be found during the Revolution. The verification of the accounts of thirty-two tax farmers, suspended for a long while because of lack of judges, was taken up by the Convention, which transmitted the documents of the case to its committee on general safety, on accounts and on finances combined in one. From the midst of this body, an individual was selected to ¹ recapitulate the charges directed against the accountable officers, charges bearing on the finances—such as tricks used in the calculation of the details of revenues and expenditures, inexact valuation of the results of previous fiscal periods, unjustified expenditures, belated paying in of funds to the Treasury, rate of taxation calculated at ten per cent instead of six or four per cent, etc. While only the questions of weighing the exactness of masses of figures and the difficult problems of accounting were involved, the committee of the Convention suggested that the tax farmers be sent before the criminal revolutionary tribunal, which the assembly accepted without objection. The tribunal—upon the accusation of Fouquier-Tinville, without stopping to hear the statements of the defendants or the defense of their attorneys—declared them individually and collectively guilty of malpractices, forgeries of records, unlawful profits, embezzlements of funds, etc. As soon as the sentence of death was passed upon them, they mounted the scaffold, twenty-eight of them, on the same day at five o'clock in the afternoon (May 8, 1794). Their stewardships were thus audited.²

¹ Report on the administration of the contractors general (*Fermiers Généraux*) by Dupin, 16th Floreal, year II of the Republic [May 5, 1794].

² Among the contractors general who were led to the scaffold was the celebrated Lavoisier, to whom is devoted the remarkable work by M. Edward Grimaux (*Lavoisier, 1743-1794*, Paris, 1888). M. Edward Grimaux relates, with regard to Lavoisier, the entire trial of the contractors general. He says: "The prosecutor did not charge the defendant with any lack of patriotism. With what right did he insist upon sending the defendants before a tribunal expressly organized for the purpose of punishing crimes of a counter-revolutionary character?" Later on M. Grimaux analyzes the text of the sentence passed by the revolutionary tribunal as follows: "What article of the law could have been invoked against the contractors general? For what reason could condemnation be demanded? The cunning genius of Coffinhal, former prosecutor of the Châtelet, supplemented the silence of the law by the form of questions asked the jury: Has there been in existence a conspiracy against the people of France which has tended to favor by all possible means the enemies of the

NECESSITY OF CONTROL

These frightful examples¹ show quite clearly the necessity of control, by means of which abuses can be prevented, the guilty punished in time and honest agents kept in security. It was, however, only at the beginning of the nineteenth century that the control, in France, acquired a sound and reassuring organization.

Ordonnateurs and Accountable Officers: In the first place, over what agents does the control extend? All agents co-operating in the execution of the budget—the *ordonnateurs* and the accountable officers—are compelled to prove that they have faithfully fulfilled their duties. The nature and the rigor of the justifications demanded of each of these categories of agents² differ to a great extent because of the dissimilarities of their respective functions, which are as follows: (1) The accountable officers keep their accounts by administrative pe-

The
Functions
of These
Contrasted

country: by committing all kinds of extortions and speculations upon the people of France, by adding water to tobacco, as well as other ingredients detrimental to the health of the citizens; by taking six and 10 per cent, while the law only permits 4 per cent; by keeping in their hands the funds which should have been turned over to the National Treasury, in order to keep away from the nation the immense sums necessary for conducting the war against the despots marching against the Republic, and to supply them with these funds?"

"Thus, Coffinhal was infamous enough to accuse the contractors general, without proof, of complicity with the enemy, that is, of a crime which deserves the death penalty . . . because interest collected abusively prior to 1789 had deprived the nation of the sum necessary for the war of 1794."

¹"The people applauded noisily when the twenty-eight heads dropped, just as, in former times, around the scaffold of Montfaucon, the mob yelled abusing the treasurers of France hanging on the scaffold. It is a long story." (*Les Fermiers généraux*, by Capefigure.)

²The decree of May 31, 1862, gives the following definition of the *ordonnateurs* and the accountable officers: "The administrators and the *ordonnateurs* have charge of establishing and collecting the revenues and proceeds (*droits et produits*), as well as of the liquidation and the vouchering of expenditures. The accountable officers who are responsible are put in charge of making the collections and payments." (Article 14.)

THE BUDGET

their operations from day to day, as the accountable officers do, could not possibly comply with an abrupt closing on December 31. On the contrary, their moral responsibility must follow every item of expenditure and assemble its scattered parts, even beyond the end of the year. Other analogous motives cause the personality of the *ordonnateur* to disappear in his accounts. He himself always remains unknown. The accountable officer, on the contrary, sees his name on letters and on the labels of his accounting memoranda; he is the holder of, and is responsible for, the funds of his treasury; his personality is always conspicuous; (2) the accountable officer, therefore, must have his accounting work audited. His real estate carries a mortgage, and his property both movable and immovable is also subjected to an attachment, which gives special rights to the Treasury.¹ A portion of his wealth is deposited in the treasuries of the State as a bond. He must, therefore, obtain a *release in full* (*quitus*) through an audit, in order to recover the title to his property. Nothing of the kind is in existence with regard to the *ordonnateur*. No mortgage for the benefit of the Treasury encumbers his property; he deposits no bond; ² no material lien ties him to his

¹ The State, by virtue of Article 2121 of the Civil Code, has a legal mortgage on the properties of the accountable officers. Furthermore Article 2098 gives to the State a lien on the movable and immovable property of the accountable officers which is specially regulated by the law of September 5, 1807.

² A certain number of administrators, *ordonnateurs* and chiefs of service other than the accountable officers are required in various countries to furnish a bond. In France this measure was practiced extensively in former times. It still applies to the departmental directors of registration and domains, the departmental directors of indirect taxes, to the inspectors of the same service, to the directors, inspectors and deputy inspectors of customs, etc.

The question may arise, why this measure is not a general one. Is it logical that officers, either chiefs of the service or the *ordonnateurs*, who by one stroke of the pen, by a simple signature, pledge the finances of the State and open the treasuries of the accountable officers, should not be, like the latter, subjected to the obligation of depositing bonds? Hereinafter are given the reasons justifying the difference in treatment existing between the chiefs of a service, the administrators or *ordonnateurs* and the accountants. In the first place, the accountable officers, being exposed to material losses, theft of money or mistakes in accounts, must already from this point of view and abstracted entirely from the question of honesty, guarantee by the deposit of a bond the integrity of their collections. Furthermore, as the sight of the precious metal arouses dangerous cupidity,

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post. When he goes back to private life on short notice, with no formality, in spite of the millions of expenditures which were vouchered by him, he recovers, or better, he preserves his complete independence. In a word, his person is involved in a few exceptional cases only, when vague principles of responsibility contained in the laws are brought against him, on account of ascertained facts.¹ Otherwise, as his responsibility has not been involved, it needs no release.

Let us, therefore, treat separately these dissimilar cases by studying successively, the controls to which the *ordonnateurs* and the accountable officers are subjected from the administrative, judicial, and legislative points of view, following the customary distinctions made by the law books: administrative control exercised by the superiors over their subordinates, judicial control exercised by the *Cour des Comptes* and legislative control exercised by the legislature.

Three
Classes of
Control

the bond is a guarantee to the Treasury against temptations and possible dishonesty.

So far as the administrators and the *ordonnateurs* are concerned, they could not be robbed very well and they can commit no material errors which would involve losses of money; furthermore, their honesty is not tempted by the daily handling of the tempting gold.

On the other hand, if bonds were demanded of all officers liable for public funds, what agent of the State could be exempted? First, the ministers standing at the top of the service ladder would have to guarantee by considerable deposits the honest management of the billions of which they dispose. Descending the ladder to the inferior officers, we shall see that a portion of the public wealth, more or less important, is entrusted to their hands. Thus the bonding would become universal.

This last argument was by no means less important than the preceding one in order to induce the various Governments to limit almost exclusively the obligation of depositing the bond to the accountable officers.

¹ "As long as the responsibility of the *ordonnateurs* is not specially involved, he has no judge to pass upon him unless public opinion by which everybody may be judged should undertake this function. In the discharging of his duties, he preserves the full and free disposal of his fortune. His integrity and his abilities are the only securities he gives to public confidence. And when he goes back to private life he has no formality to perform in order to enjoy the plenitude of his rest." (Report of Marquis de Garnier on the bill of regulating the fiscal period 1815, 1816 and 1817. *Chambre des Pairs*, June 17, 1819.)

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ADMINISTRATIVE CONTROL OVER THE ORDONNATEURS

As the ministers are the *ordonnateurs*, there is, summarily speaking, no administrative control, because they are supreme in their respective administrations. If, however, in the service sense of the word the *ordonnateurs* are not controlled in the execution of the budget, it may be remembered that the Minister of Finance has supervision over them in the matter of the incurring of expenditures, and then through the *visé* of the vouchers, which alone makes them payable. This is unquestionably a control, although disguised, intermittent and limited to certain points only.

The secondary *ordonnateurs*, subordinated to the principal *ordonnateurs*, are controlled by the latter in conformity with Articles 296-305 of the decree of May 31, 1862. This control consists in their being compelled periodically to submit summaries and reports on the situation to their superiors. These superiors, however, who sign payment vouchers and delegated payment vouchers, escape in the end all administrative control.

ADMINISTRATIVE CONTROL OVER THE ACCOUNTABLE OFFICERS

The administrative control over the accountable officers, on the contrary, is universal and unceasing. "The administrative control is exercised hierarchically, in the course of the execution of the budget over all holders of public funds, through requiring periodical statements and by means of examinations on the spot."

The
Accountable
Officers'
Report

The accountable officers prepare first, every ten days or every month, statements of condition, memoranda for the purpose of keeping their superiors posted on the course of collections and payments, memoranda on balances of accounts and on the movements of funds, etc., striking a comparison between the operations of one year or one month with another, laying special stress on delinquencies or prepayments and adding substantiating comments. At the time of their periodical turning over of funds, they submit memoranda—accompanied by documents substantiating their collections, their expenditures, payment vouchers, receipted pay-warrants (*mandats acquittés*), stub registers, counterfoils of endorsed receipts,

NECESSITY OF CONTROL

etc.—either to the main collector's office or to the special collector's office or to the treasurer general's office, according to whether the submitting agents are under the financial excise administrations (*régies financières*) or are the direct accountable officers of the Treasury. The superior agents submit the same kinds of documents to the ministry of finance.

In the second place, on more or less unexpected dates the hierarchical superiors enter the offices of the accountable officers in order to ascertain what funds and securities are on hand, in order to close the records, assemble the items and compile a table showing the situation in all branches of the service. The general inspector of finances examines first, also on the spot, the superior accountable officers, and then as many as possible of the subordinate accountable officers who already have been examined by their local superiors. The administrative control consists in: (1) The periodical submitting of statements, accompanied by documents substantiating the revenues and the expenditures; (2) examinations made by local superiors or by the general inspector of finances (*Inspection générale des finances*).

The Books
of the
Accountable
Officers

DOUBLE ENTRY ACCOUNTING

Is the keeping of accounts by double entry a procedure of control? This has often been claimed; let us, therefore, describe the double entry system, because it falls essentially within the purview of a work devoted to the subject of the budget.

Accounting by double entry is defined as follows by Article 1440 of the general instruction on finances, of June 20, 1859:

Double
Entry
Bookkeeping

"Since 1808, the accounts of the collectors general and special collectors have been kept by double entry. This method consists of using for the description of each operation two agents or accountable officers, one of which is debited and the other credited. In fact, every operation of accounting is necessarily composed of and satisfies two opposing interests; the thing which releases one part obligates another, and, therefore, there is always in existence for one and the same operation a crediting agent and a debiting agent; the one who owes is the debtor; the one to whom something is due is the creditor."

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This quotation contains almost a complete outline of the matter; it is useless to wonder at its perfection, because Mollien himself, who was its author, inserted it verbatim in his account of the Treasury for the year XIV, Republican calendar [1805]; the bulletin of instruction for the year 1859 appropriated this definition. Hereinafter are given the commentaries suggested by it.

The Place
of Single
Entry

Accounting by single entry, which must form the point of departure for the study of its younger sister, represents elementary accounting, which consists simply of describing the operations as they succeed each other. Accounting by single entry "originated in the household and was invented, without doubt, by those useful individuals to whom the mission of forming the language has too often been entrusted." Léon Say so expressed himself on the subject in his charming paper, to which we shall turn again. Accounting by single entry enters all operations as they are carried out. It then reports these operations in auxiliary books arranged in subdivisions of all kinds. Thus, the collectors, whose accounts are kept by single entry, enter all collections as they are received from the taxpayers on a *stub daybook* (*journal à souche*). Then, analyzing this stub daybook, they distribute the entries according to the statistics between the *recapitulation book* (*livre récapitulatif*) and the *ledger* (*livre des comptes divers par service*). In this lies the deficiency of the system. How about a guarantee that the auxiliary books are well kept? How is it possible to know that the entries in the daybook have always been exactly and completely copied in these auxiliary books?

Jean-Baptiste Say formulated an objection as follows: "You see that if through the forgetfulness of a clerk or a mistake, some item is omitted or has been incorrectly posted, one does not necessarily discover the error." There is no doubt that the cash on hand serves as a control of the balances of the daybook. This forms a very convincing guiding mark. But if the auxiliary books, which do not balance with the cash on hand, have been improperly posted, nothing informs the accountable officer of this fact. The accountable officer has no other guarantee of the exactness of his reports than the degree of care he devotes to his work.

Double
Entry
Accounting
Means
Security

Accounting by double entry, on the contrary, gives to all accounts, regardless of the extent of their development, a full security and at the same time an automatic security. Jean-

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Baptiste Say explains in this connection very clearly as follows:

"In bookkeeping by double entry, each entry is controlled by a corresponding entry, so that it would be necessary to commit two errors of precisely the same sort which would balance one another, otherwise the error must be discovered." Jean-Baptiste Say adds: "The same method also makes it possible to realize much more exactly the result of each operation and of every sort, because these operations are personified, so to speak; they are charged with what they owe and are credited with what is due them."

Barrême, in 1721, said: "Double entries are proper for all affairs involving much detail."¹

Accounting by double entry has thus two advantages over its rival: It gives an exactness to all accounts and even to auxiliary accounts (*écritures de développement*) and it presents the many phases of operations under their most striking aspect without this multiplicity interfering with the correctness of the figures.

Léon Say revives this subject: "Modern accounting," he says, "is an art of the imagination which bears the earmarks of Italian and Greek genius. . . . It is a marvelous invention, a kind of mythology. The shepherds of ancient Greece, when quenching their thirst at a spring, thought that they saw the nymph of the waters; they filled Nature with a throng of beings among whom they lived as among a society superior to human society. When the race of shepherds became a race of tradesmen, it brought into business life their liking for fiction. The cash and the storehouse became for them mythological

Léon Say's
Fanciful
Picture

¹ *Traité des parties doubles*, by M. Barrême, Paris, 1721. The author adds: "M. Colbert always desired to have all the business transactions of the king kept by double entry. He was unable to execute this great plan of his, because he did not find any individuals who would be able to substitute the double entry system for the ancient system and for the accounting system of the chamber of accounts (*chambre des Comptes*). MM. Paris have introduced this magnificent arrangement in the taxes (*fermes*) and in the general revenues: nothing can equal in beauty the plan which they have drafted; nothing is more appropriate for the real interests of His Majesty than the execution of this plan."

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personalities, plebeian gods, which did not fail to have altars erected to them. . . .”

It is a great temptation to quote *in extenso*, this charming study which was read by its author at the tri-monthly meeting of the Five Academies on January 6, 1886; but we are bent particularly on utilizing Léon Say's conclusions, which run as follows:

“A personality can be given to business transactions,” he says; “this is a way to study them closely; but they should not be given a double face, nor should the mask of abundance be put on poverty. And, as I am talking mythology and fairy tales, I shall avail myself of their language in order to say to the accountable officers who attempt to make abuses of the double entry system, that, although it is beautiful to love Galatea, it is wrong to seduce her.”

Possibility
of Fraud

This last allusion reveals the dangers of accounting by double entry. Undoubtedly, the accountable officer himself will always find some safeguard against mistakes; but if he is not mistaken himself, cannot he fool others by his system? When an operation covers seven or eight folios of the ledger before finding its definite counterpart, when at every transformation, this operation disguises itself with some new title, when the original figures are subdivided, decomposed, reconstituted, according to the necessities of the accounts—how is it possible to follow this maze with security? How is it possible to arrive, without running the risk of getting lost, at the net balance of the accounts? The increasing throngs of personages which cross each other, the variety of masks which they put on, troubles the party going through the accounts, complicates the investigations and diverts from the purpose by obscuring the straight line. Thus, in order to ascertain clearly the situation of the treasury of an accountable officer, in order to obtain the full facts from the mass of his figures as to the balance that should be on hand as compared with the actual balance, the first care of the auditor consists in transforming prosaically all this scientific double entry accounting into accounting by single entry. As soon as the inspection general of finances begins to examine the office of a special collector or of a treasurer general, it first proceeds to *balance* the

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accounts (*dépouiller la balance*) of the ledger—that is, “to reduce the balance shown by double entry to a balance shown by *single entry*.” As soon as this common transformation is accomplished and as soon as the accounts are reduced to their elementary meaning, the inspector can efficaciously perform his feat of clairvoyance.

The accounting by double entry has never prevented suspicious balance sheets from remaining undecipherable to the most expert eyes: The courts themselves ascertained that the official statements published by the *Comptoir d'escompte* and by the *Société des dépôts et comptes courants*, on the eve of their bankruptcy, did not disclose to the stockholders the condition of those establishments. Accounting by double entry does not always furnish the verifying agent with the moral conviction that the accountable officer finds in double entry accounting, and for whom alone the latter has been invented; therefore, we shall include with reservation double entry accounting among the instruments of administrative control.

Some Illustrations

JUDICIAL CONTROL OVER THE ORDONNATEURS

The *ordonnateurs*—who, because of their position as ministers are exempt from administrative control—are equally exempt from judicial control. “The *Cour des Comptes* can in no case arrogate to itself jurisdiction over the *ordonnateurs*.” This is the principle of the law of September 16, 1807, which is still in force. We shall see, however, that certain procedures, described later, adroitly remove the obstacle opposed to the judicial control over the *ordonnateurs*.

JUDICIAL CONTROL OVER THE ACCOUNTABLE OFFICERS

The control of daily current operations during the execution of the budget is succeeded, as far as the accountable officers are concerned, at the expiration of their administrative periods, by judicial control.

When the year is terminated, and even before that, in case of cessation of functions on his part, each accountable officer prepares an account of his administration, which is intended to become the basis for an audit; this account according to sacrosanct formulas must contain the following: (1) A statement as to the situation at the opening of the administrative period; (2) revenues and expenditures of all kinds col-

The Accountable Officers Must Render Statements

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lected and disbursed; (3) a statement of the situation at the expiration of the administrative period, containing an indication as to the balance of money in the Treasury and the securities in the portfolio. (Article 23 of the decree of May 31, 1862.) The accounts are declared to be sincere and truthful, signed, dated and submitted to the authority which has charge of examining them in the form and within periods prescribed by regulations. These accounts must be *in condition to undergo examination* (*un état d'examen*) and supported by substantiating documents, classified according to the order of operations. (Article 27.) Rendered by annual administrative period, except in cases of interruptions (*coupures*) resulting from personal administrative periods, they include two parts: One, relating to the complementary operations of the expired fiscal period, and the other, relating to the operations of the first year of the current fiscal period (Article 317); this division subsequently permits one to pass from accounts by administrative period to accounts by fiscal period. A final summary recapitulates the total of the administration.

These
Statements
Are
Examined

The central administration, upon receiving the accounts of an administrative period, submits them to a preliminary verification in the bureaus of the general accounting of finance. Then it turns them over to the *Cour des Comptes*, which tests them according to judicial formalities described in the following chapters.

CHAPTER XXVIII

COUR DES COMPTES

The Old Chamber of Accounts: Thirteen Chambers of Accounts; Functions; Distinguished Names; Routine for the Statements; Lack of Uniformity; Accounts Sometimes Delayed; Grave Abuses Arose; Résumé; The Chambers of Accounts Abolished.

Bureau of Accounting; Fifteen Commissioners; The National Assembly; Universality of Authority; Hopelessness of the Theory; A Commission in Lieu of Bureau; The Commission Was Swamped; Experience Developed Two Ideas.

Cour des Comptes: The *Cour des Comptes* Succeeded; Personnel of the *Cour des Comptes*; The Routine of an Examination; Other Functionaries; The Procedure Since 1807; Jurisdiction Extended; Four Classes of Accountable Officers; Accountable Officers Handling Cash; Accountable Officers Handling Materials; The *Comptables d'ordre*; The *Comptables de Fait*; the *Cour des Comptes* One Hundred and Thirty-five Members.

An order (*jugement*) was required to release accountable officers under the old régime as now, because, in those days, a legal mortgage¹ encumbered their properties and the deposit of a bond was also demanded. The necessary order emanated from the Chamber of Accounts (*Chambres des Comptes*).

THE OLD CHAMBER OF ACCOUNTS

In order to describe the organization of the chambers of accounts, we shall not go back to the time of Philippe V, called "the Long," who, in his ordinance of July 28, 1318, said: "We have ordered that we shall examine the accounts of each officer of the State by our accounting agents." We shall study only the situation immediately preceding the Revolution of 1789.² There were thirteen chambers of accounts

Thirteen
Chambers
of Accounts

¹ Edict of August, 1669, regulating "the mortgages of His Majesty on the properties of his accounting officers, contractors (*fermiers*) and others handling his funds."

² The *Cour des Comptes*, through a very legitimate sentiment of respect for the past, reproduced annually this old inscription in the preface of its general declarations. The *Cour des Comptes* should

Functions

at the end of the eighteenth century.¹ The Paris chamber, because of its location, had special functions, such as the registration of royal marriage contracts, of peace-treaties, of fiscal edicts imposing extraordinary taxes in concert with the *parlement*, etc. . . . The chamber of accounts has been described in ancient documents as the ark and the respository of the claims and information of the Crown and of the secrets of the State, the guardian of the royal prerogatives, and the conservator of the properties and domains of the king. Besides, the celebrity of several of its members gave special prestige to the chamber of accounts. At the time of the installation of the first *Cour des Comptes* in the *Palais de Justice* in 1807, Attorney General Garnier recalled the names of illustrious men who formerly met on those premises:

Distinguished
Names

"These walls, these palaces," he said, "are filled with venerable memories. Here on these premises resided the ancient family of the Nicolai, which from one reign to another, from generation to generation, gave a permanent illustration of ability combined with virtue. Being the rivals of the Lamoignon and of the Molé, they equaled them in dignity and in merit. On these premises, the functions of the public minister were performed by Étienne Pasquier, celebrated for his devotion to the King, his vast erudition, and his historical research work."² (Speech of Attorney General Garnier, November 5, 1807.)

More recently, a speech—made on the convening of a session and devoted to the various installations of the *Cour des Comptes*—used more sober words:

not forget that its most important prerogatives date back only to the establishment of the parliamentary régime, that is, to the beginning of the nineteenth century.

¹ The thirteen chambers of accounts were those of Rouen, Dijon, Grenoble, Nantes, Nancy, Metz, Pau, Besançon, Bar-le-Duc, Montpellier, Aix, Lille and Paris (including the *parlements* and the *Chambres des Aides* [a bureau for taxes called the *aides*, now replaced by the indirect taxes], to which were delegated the functions of a chamber of accounts).

² In this connection, the speaker, carried away by the enthusiasm of the moment, added: "Oh, if he had lived under the reign of Napoleon (he lived under the reign of Henry III), he would rather have devoted his talents to painting the great period of which we are witnesses and preserving for posterity the magnificent destinies of the Empire."

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"The monuments which have disappeared were occupied by our illustrious predecessors, such as Henry de Sully, Olivier de Longueil, Michel de l'Hospital, Etienne Pasquier, the Nicolai and many other prominent officers whose respected names adorn our annals." (Speech of Advocate General Biollay, October 16, 1886.)

Besides these honorary prerogatives, the chamber of accounts of Paris had no actual supremacy over the twelve provincial chambers. Composed like the latter of presidents, managers, correctors and auditors,¹ the chamber of accounts, like the provincial chambers, passed exclusively on the statements of the accountable officers of its district. The accounts submitted through procurators were first examined by consulting auditors, with a view to ascertaining whether each item of revenue and of expenditure was justified in conform-

Routine for
the
Statements

¹ According to the *Almanach Royal* of 1788, the chamber of accounts of Paris was composed of the following members: One first president, 12 presidents, 78 consulting head accountants, 38 consulting correctors, 80 consulting auditors, 3 representatives of the King, one advocate general, one attorney general and his substitute, 2 head registrars, one recording registrar, book guards, disbursers of payments, comptrollers, doorkeepers, agents, messengers and a supervisor for ceremonies, etc.

The number of the members of the chamber of Paris (212, including the consulting officers, presidents and representatives of the king) seems excessive for only one of thirteen jurisdictions into which the kingdom was divided; the present *Cour des Comptes*, which is the only one for the entire territory of France, has only 135 members. But this large number of presidents, consulting head accountants, consulting correctors, consulting auditors of the chamber of accounts of Paris, is not surpassing when one knows that the officers alternated, serving for half of the time only. Every one of the officers is marked in the *Almanach Royal* with the letter H or capital E. The letter H applies exclusively to the winter service, and the letter E exclusively to the summer service. The winter half year used to begin on January 1, and ended on the last day of June; the half year of summer began on July 1 and ended on the last day of December. The members of the winter service, with the change of the season, relieve their colleagues of the summer service and vice versa. Only the first president, the advocate general, the attorney general and the head registrars are marked simultaneously with the letters H and E. Besides, the entire chamber did not sit on Thursdays and Saturdays of every week and on eves of holidays, in the afternoon; furthermore, the chamber of accounts adjourned on Holy Tuesday until the next day after the Sunday Quasimodo; the same was the case on the Saturday before Whitsuntide until the next day after Trinity Sunday and then during the long vacations.

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ity with the laws on the subject. According to the report of the verifying auditor, the chamber of managers (*chambre des maîtres*) decided on the admission or the rejection of the account. When the first decision was favorable, the account was passed into the hands of the correctors who verified its *material* side, that is, the exactness of figures and calculations, and submitted their report on the subject to the chamber of managers; the latter then, in case of necessity, pronounced the *release* (*quitus*): The consulting managers (*conseillers maîtres*) constituted under the old régime, as now, the actual judges.

Lack of
Uniformity

In spite of common forms, each chamber of accounts was distinct; there was no general recapitulation of the total of their orders with the total of the accounts of the Treasury. The attorneys general of each province were supposed to transmit to the chamber of accounts of Paris a summary of the orders issued by their respective chambers of accounts. These communications were very irregular and were never used.

Accounts
Sometimes
Delayed

Great abuses appeared in the execution of the program: First of all, permanent delays occurred in the submitting of accounts.

“Nothing could possibly justify a delay of fifteen years. . . . There are accounts which have been delayed eight to sixteen years, several for fifteen years, some for twelve years and a large number for ten years . . . disorder in finances and disorder in accounts have always been inseparable. For a long time they throve, one through the other: nor could they end matters save both acting at once.” (Report read to the National Assembly on the arrears of accounting, in the name of the central committee on liquidations, by M. Beaumez, May 25, 1791.)

Furthermore, strange irregularities resulted from the *ordonnateurs* themselves:

“It appears that endeavors were made to mix the fiscal periods which were distant from each other in order to prevent any verification whatsoever. There was no permanent rule or basis on which positive adjustments could be made from one year to the next as between the reve-

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nues and the expenditures. Finally, came the gravest thing of all, the *acquits au comptant*¹ of which we have spoken; their painful increase from the times of Colbert to our day is alarming. . . . It is no longer necessary that the receipts in accounting be a mass of informal documents, made out whenever needed by the *ordonnateurs*, in order to devise the friction as to the revenues and expenditures of France."

In the third place, arbitrariness and favoritism suspended the execution of the most important orders. At one time, the *Conseil du Roi* brought before it particularly suspicious accounts in order to audit them outside of the judicial authorities.² At other times, powerful influences succeeded in suspending the execution of orders which were made definite:

Grave
Abuses
Arose

"Crimes of forgery discovered in the management of an accountable officer, crimes in which many accomplices were implicated, have so tardily formed the subject of prosecution that the zeal of the Chamber was vain and barren of results. All the administrators and the accountable officers who coöperated in committing the forgeries were dead when it was finally decided to start an action. . . . Thus, an accountable officer convicted of an embezzlement of 800,000 *livres*, and imprisoned in the *conciegerie* obtained a safe conduct, procured while the king was making his devotions and signed by a minister; thus he got the best of the law.³ And what grieves the Chamber most is that the released accountable officer, it is said, had been entered on the list of pensioners. It appeared that fifty accountable officers during the last twenty years have committed frauds. The resulting loss to the Treasury could be estimated at 30,000,000; the

¹ The *acquits au comptant* were simple notes by which the king or the comptrollers general ordered the payment of some determined sums for the benefit of a person whose name often did not appear at all, and in all cases without the indication of motives, or any substantiating documents. See on this subject our history of the *Finances de l'ancien régime et de la révolution*.

² The general administration of the *aides* succeeded even in emancipating its accounting from the jurisdiction of the chamber of accounts and accounted before the King's Council (*Conseil du Roi*).

³ Dupûle de Saint-Séverin, Treasurer of the household troops of the king.

THE BUDGET

loss to the public has not been calculated. . . . None of these peculations has been punished. The zeal of the Chamber has always been restrained."

Résumé

In brief we see: (1) Considerable delays in the preparing of accounts; (2) scandalous irregularities in the accounts; (3) impunity for the guilty; all this was ascertained by an investigation made by the chamber of accounts of Paris, the results of which work were submitted by the first president of the chamber of accounts of Paris to the National Assembly on July 23, 1789. (Remarks on the accounting and the jurisdiction of the Chamber of Accounts, 1789, *National Library*, L. f. 27, 36.) The Chamber concluded as follows:

"The Chamber is not limited to complaints only, it has constantly surrounded the steps of the Throne. Its officers have perpetually besieged the cabinets of ministers. Its commissions have attempted to penetrate into the bureaus. They have not failed in action nor in observation. . . . The officers of our company have devoted themselves (this is to use the term of the old ordinances) to functions of very melancholy nature.¹ Only the desire to serve their fellow citizens upholds them in these irksome operations and makes them renounce all illusions of self-pride."

This peroration disclosed the real intention of the speaker, who by the belated wail hoped to regain the sympathies of the Constitutional Assembly. The decree of September 7, 1790, declared: "Article 12. The chambers of accounts shall be abolished as soon as a new system of accounting is provided." The law of July 4, 1791, while confirming this abolition, declared that "The chambers of accounts shall on this date cease to perform its functions."²

The
Chambers
of Accounts
Abolished

BUREAU OF ACCOUNTING

Instead of chambers of accounts, the Constitutional Assembly organized a *bureau of accounting* (*bureau de compta-*

¹ The functions in question were not so "very melancholy" in former times, because, in spite of "their internal complaints," members of the chamber bought them for cash or bequeathed them like a precious heritage from father to son.

² In November, 1792, the old papers from the storehouses of the chamber of accounts were sold by weight.

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bilité), the functions of which are sufficiently described in the following text:

"There shall be established a bureau of accounting composed of fifteen persons, who shall be appointed by the king. The said commissioners shall receive all the accounts which are hereinafter mentioned and shall prepare the reports. Each report must be signed by three commissioners, who will be responsible for the text to which they have certified; said accounts, after examination in the bureau of accounting shall be examined and definitely audited by the legislative National Assembly, according to the provisions of Article 1 of the present year." (Law of September 17, 1791, Articles 2, 3, 4 and 5 of Part II.)

Fifteen
Commis-
sioners

Article 1 of this law of September 17, 1791, read: "The National Assembly shall examine and definitely audit the accounts of the nation"; thus, the control over the operations of revenues and of expenditures was henceforth turned over to the nation. The report on the subject read as follows: "It is only right that the representatives of the nation, who have the power to pass on the revenues and the expenditures, should know the destination and the use of them." (Report of Cochard, September 7, 1791.) It is incontestable that the representatives of the country have, in the last resort, the right to verify and to audit the accounts of the nation, but upon condition that a tribunal shall first regularly control the accountable officers. "An account is not an affair which can be arranged amicably," Malouet used to say; "it is necessary that a control be maintained and an actual verification made of the accounting records. The establishing of a tribunal therefore cannot be dispensed with, because a tribunal alone has the right to pass judgment." (Speech of Malouet, September 8, 1791.) The Constitutional Assembly, however, failed to understand at that time the possibility of a coexistence of its own legislative control and the control of a tribunal; a false conception of the universality of its authority led the Constitutional Assembly to believe that it should do everything. Since this was impossible, it was compelled to turn over the preparatory work to coöperating agencies.

The
National
Assembly

Universality
of Authority

"It is impossible," said Dandré, a deputy, "that the legislative body should deprive itself of forty or sixty

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deputies who shall use their entire time to examine thousands of records." "It is our business to establish rules for auditing; but it is not our business to occupy ourselves with disputable questions of accounting." (Speech of Cochard.) . . . "A commission therefore must do all the preparatory work, and it must be said in the laws that the account shall be *definitely* audited by the nation." (Session of July 4, 1791.)

Hopelessness
of the
Theory

In consequence, thereof, clerks under the supervision of the Assembly composed the bureau of accounting mentioned above. The course of events did not fail to show the anomaly of this conception, because the Constitutional Assembly, under pressure of troubles of all kinds with which it had to deal, lost sight of the work of the verification of accounts. "It is evident," Camus used to say, "that if you assign to the Assembly the task of auditing, in one single session, 1,800 individual accounts, none of them will be examined." (September 8, 1791.) Therefore, although a large number of reports had been prepared by the bureau of accounting from 1792 until 1794, none had been examined or passed upon. "Verification was always done by the bureau of accounting; the Assembly passed on nothing." (Speech of la Jacqueminière, Tribune, September, 1807.)

A Commission in Lieu
of Bureau

This condition of things came to an end in the year III of the Republic, through the creation of a *commission on national accounting* (Law of the 28th Pluviôse, year III of the Republic, February 16, 1795), which was substituted for the bureau of accounting, the inefficiency of which had been amply demonstrated. The new commission was put in charge of passing definitely on the reports of the accountable officers. The commissioners appointed by the chambers, upon suggestion of the committee on finances—first fifteen in number and then only five by virtue of the Constitution of the year III of the Republic, and then seven, by virtue of the Constitution of the year VIII¹ would have constituted a tribunal of accounts, if the irremovability and other honorary privileges of

¹ The Constitution of the Consulate of the 22nd Frimaire, year VIII of the Republic, recited: "Article 89. A commission on national accounting regulates and verifies the accounts of revenues and expenditures of the Republic. This commission is composed of seven members, selected by the Senate from the national list."

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the judiciary had been accorded the latter; these commissioners endeavored to perform the task in question and, in the course of their long career of twelve years, many accounts were audited:

"It would be unjust to reproach them for not having audited and passed all the accounts with celerity. . . . It is sufficient to recall the immense amount of fictitious values which increased the accounts during the régime of paper currency and the expenditures of all sorts required by circumstances in order to see that what would have been but an ordinary task in times of a wise administration necessarily involved under the conditions an excessive amount of labor." (Speech of Defermon, councilor of the State in the legislative body, September, 1807.)

The Commission
Was
Swamped

In spite of their efforts, the commissioners could not prevent the accumulation of arrears of work. In 1807, thousands of accountable officers waited for eight or ten years for a decision on their accounts. The difficulties in which many families found themselves became one of the contributory causes for the establishing of the *Cour des Comptes*.¹

Two new ideas thus emerged from the abortive attempts of the Revolution. In the first place, the definite auditing of accounts rested with the representatives of the nation; this principle was proclaimed in 1791 and is not now contested. In the second place, also in 1791, the superiority of a single jurisdiction over the earlier multiplicity of jurisdictions became obvious. These are the principles which we shall see developing in the course of the nineteenth century.

Experience
Developed
Two Ideas

¹"No diligence before 1807 could have cleaned up the enormous heap of increasing arrears, which dated back more than half a century. It inspired such a terror that *several councilors were imprudent enough to suggest burning the mass of documents and records accumulated for so many years on your shelves.*" (Speech of the first president, Barbé-Marbois, November 2, 1831.) "A number of families recovered their rights as to immovable property; these families were all deprived for years of the privilege of proprietorship. Thousands of accountable officers were absolved. This important service which France owes to the *Cour des Comptes* was worth more than the conquest of a province." (Memoirs of a Minister of the Treasury.)

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The *Cour
des
Comptes*
Succeeded

The *Cour des Comptes*—established by the law of September 16, 1807, and regulated by the decree of September 28, 1807—was exclusively charged with passing on the accounts of accountable officers. Later, under the Restoration, we shall see this *Cour des Comptes* becoming an auxiliary to the legislative power. In 1807, however, when the Imperial system was at its zenith, these functions were considerably modified.

"The purpose of the institution," said the councilor of the State, reporting to the legislative body, "is to support and not to hinder the course of the Government and to apply the severity of its examinations to the accountable officers and not to the *ordonnateurs*. The *Cour des Comptes* cannot possibly pass on the actions of the Executive." (Speech of Defermon,¹ September, 1807.)

Personnel
of the
*Cour des
Comptes*

If the only function entrusted to the *Cour des Comptes* under the First Empire was that of passing on accountable officers, it must be admitted that both the law and the decree of 1807 admirably defined the case. It was a complete and definite piece of work. The *Cour des Comptes* was supposed, according to the will of the Emperor, to represent a picked judiciary. For this purpose, the law of September 16, 1807, declared that the *Cour des Comptes* "shall rank immediately after the court of cassation, [the *Cour de Cassation* is the supreme court of appeal in France, but only touching grounds of informality in the proceedings of misinterpretation of the law] and shall enjoy the same prerogatives." (Article 7.) The members of the *Cour des Comptes* are irremovable. "The members of the *Cour des Comptes* are appointed by the Emperor for life." (Article 6.) The *Cour des Comptes* is composed of one first president, three presidents, eighteen senior accountants, twenty-four referees, an attorney general, one head registrar (*greffier en chef*). (Article 2.) This is the present organization, except for the auditors who were added in 1856.

¹ Defermon, Councilor of the State, and former member of the Convention, added as follows: "Nothing that could be useful can escape the genius which rules over us. *His Majesty is not less careful of the sweat of his people than of the blood of his children.*"

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The first examination of accounts and the preparation of reports rest with the consulting referees who are always assisted by the auditors, who themselves can be authorized to make the reports directly.¹ These reports are passed by the president of the chamber to a senior accountant. Each chamber, composed of six consulting senior accountants and of a president, hears the report of the consulting senior accountant, who is assisted by the referee in charge of the report. The senior accountant first passes his opinion, and then, each senior accountant in succession in the order of his appointment. The president writes down the decision on the margin of the report and pronounces his decision. (Decree of September 28, 1807, Article 31.) The consulting senior accountants are reminiscent of the judges under the old régime; they alone passed opinion and voted. The referees, like the old-time *conseillers correcteurs*, prepare only the bases for the decisions.

The
Routine
of an
Examina-
tion

The attorney general, assisted at present by an advocate general, represents, according to the law of 1807, the Minister of Finance and the Government in the *Cour des Comptes*. He supervises the regularity of filing the reports by the accountable officers and causes penalties to be inflicted upon those who are late; he is consulted with respect to documents which appear to warrant, in his eyes, a more special examination; he ascertains the exactness of the meetings of the chambers, the regularity of the service of the referees and of the auditors; he transmits to the Minister of Finance the decisions of the *Cour des Comptes*; he gives his conclusions in a certain number of important matters, corresponds with the various ministers, furnishes required informations, etc.

Other
Function-
aries

The procedure introduced by the law and the decree of 1807—relating to delays, to the forms for the submitting of temporary decisions suspended by injunctions, and to the definite decisions releasing accountable officers, to the reform of opinions by means of revision or reversal before the *Conseil*

The
Procedure
Since 1807

¹ The decree of October 23, 1856, which established auditors at the *Cour des Comptes*, reads as follows: "In consideration of the fact that it is necessary to appoint at the *Cour des Comptes* a class of auditors who by their previous studies present a guarantee of ability for the functions of a consulting referee at the said *Cour des Comptes*. . . . Article 2. Auditors shall be placed under the authority of the first president, who shall be able to attach them to the consulting referees in order to take part in the work of investigation and of verification entrusted to these officers."

d'Etat—remains intact. The same is true as to the regulations by virtue of which the *Cour des Comptes* can not enforce its decisions, nor can it create a debt chargeable to the Treasury; the law of 1807 has not been changed as to any of these points.

Jurisdiction
Extended

In 1843, however, the jurisdiction of the *Cour des Comptes* was extended to the accounts of *materials*. "The accounts of materials (*comptes en matières*) are submitted to the control of the *Cour des Comptes*," reads Article 14 of the law of June 6, 1843. The ordinance of August 26, 1844—issued for the purpose of executing the law of 1843—regulated the method of control involved in the purchase of materials by the State for consumption and manufacture. Then, the decree of November 19, 1871, aimed at the ministry of war, attempted to establish in the latter a correlation between the accounts in cash and accounts in materials, in order to follow up constantly the conversion of the State's wealth, when it passes from the vaults of the Treasury into the storerooms and arsenals. Since then, the law of August 23, 1876, the decrees of December 16, 1876, of November 23, 1887, and of September 6, 1888, relating to supplies and the works of the Navy, etc.,¹ have been promulgated.

¹ The organization of an accounting system for materials will always be very difficult. In order to install proper order in these accounts, which are so little suited for that purpose, it would be necessary that a constant link should connect the funds with the materials. This is the merit which the account called in Italy *patrimony* (*patrimoine*) possesses. Combining in one total the entire wealth of the country, it compels all the financial statements to group in their columns these two elements which are so unlikely to be added together, the materials and the funds. M. Cerboni says: "The accounting of the *patrimony*, which according to the Italian law includes at the same time the budgetary results and those of the management of the properties and materials belonging to the State, makes of it a single organism, corresponding to the one which administrative life presents to us. But this account of the *patrimony*, in spite of its apparent and incontestable advantages, has very great practical objections. Many claim that the results are and can be but illusions."

See what the lamented Léon Say says on the subject in his book called *les Finances*, in which his customary sagacity distinguished very clearly the *pro* and the *contra*. In a publication called *Groupe de travail*, in the *Ecole des sciences politiques*, he has charmed us with his ideas on this rather dry subject, on the occasion of the work of M. Campagnole published in the annals of the *Ecole des sciences politiques*, in 1888, volume III. See also "*la comptabilité*

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These are the only modifications grafted on the masterly work of 1807. At the most, certain provisions of ordinances relating to accounting in the time of the Restoration could be cited, as well as the decrees of August 12, 1854, and January 7, 1856, which provided for the division of the transmitting of accounts to the *Cour des Comptes* into two parts: One containing the account relating to the actual administrative period and the other the complementary operations of the fiscal period, together with a table of totals, etc.

In brief, the judicial functions of the *Cour des Comptes* with regard to the four classes of accountable officers may be recapitulated as follows:

(1) *Accountable officers handling cash (comptables en deniers)*, that is, all accountable officers who handle public funds; these form the original class. Among them, the chief accountable officers alone submit accounts directly to the *Cour des Comptes*. (Articles 316 and 321 of the decree of May 31, 1862.) In the statements of the chief accountable officers, however, are included the operations of the *subordinate* accountable officers, who before that have already settled their accounts directly with their superiors (*de clerk à maître*); thus, in reality, the *Cour des Comptes* passes on all the collectors of public funds. In the same way, it has already been explained, the treasurers general recapitulate in their records all the operations performed by the special collectors and the collectors.

Four
Classes
of Account-
able
Officers

Accountable
Officers
Handling
Cash

(2) *Accountable officers handling materials (comptables en matières)*, some of whom are *passed upon* by the *Cour des Comptes*, such as the accountable officers handling stamps, money, tobacco and matches, postage stamps, etc. The others are simply *controlled* by the *Cour des Comptes*, for instance, the accountable officers in the arsenals, the powder and nitrate of potassium factories, etc. Excluded, however, from the approval and control of the *Cour des Comptes* are the accounts of materials or objects classified as permanent, such as furniture, pieces of art, books, etc., which are in the palaces, buildings, museums, libraries, etc., belonging to the State. Only accounts of materials liable to be used up are submitted to this control.

Account-
able
Officers
Handling
Materials

(3) The *comptables d'ordre*, which includes the accounting

patrimoniale en Italie," an excellent chapter in the work of M. Besson.

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The
Comptables
d'Ordre

agent of the general ledger, the accounting agent of transfers and mutations, the accounting agent of the Navy transports, the accounting agent for the transfer of accounts, the accounting agent of railroad companies, established by the law of May 30, 1899, etc.

The
Comptables
de Fait

(4) Finally, the *comptables de fait*, which means individuals other than accountable officers, who, without authorization, interfere in the handling of public funds, and who, as a result of their unofficial work (*gestion occulte*), are submitted to the same jurisdictions and charged with the same responsibilities as the holders of actual appointments. (Article 25 of the decree of May 31, 1862.)

The *Cour*
des
Comptes
One
Hundred
and
Thirty-
Five
Members

The forms of accounts to be submitted by these various accountable officers have been previously described. As stated, the *Cour des Comptes*, as organized by the law of 1807, now includes 135 members, distributed as follows: One first president, three president of chambers, eighteen consulting senior accountants (or six per chamber), eighty-five consulting referees of the first and the second classes, twenty-five auditors, one attorney general, one advocate general, one registrar. The decisions can be revised by the *Cour des Comptes* itself, either to satisfy the demand of the accountable officers under certain conditions, or officially, or finally upon request of the attorney general. Finally, in case of violation of the forms or of the law, the accountable officer or the Minister of Finance has the right to make an appeal to the *Conseil d'Etat* within three months after being notified of the decision. This is the judicial control exercised by the *Cour des Comptes* over the accountable officers.

Besides this judicial control, which rests on the findings of the *Cour des Comptes*, another form of control permits the *Cour des Comptes* to go as far as the *ordonnateurs* and to co-operate in the legislative work, as will be shown in the following chapter.

CHAPTER XXIX

CONTROL OVER THE ORDONNATEURS

The *Ordonnateurs* Escape Control; Fraud Almost Impossible; Montcloux's Proposal; Need of Legislative Control.

Accounts of Ministers: Each One Submits an Account; Reports to Be in Detail; A Definite Statement of Revenues; A General Statement of Finances; Three Divisions in the General Statement; The Accounts Prepared by Subject; The General Statement; The Account Prepared by Division; The Statement of Statistics.

Commission for the Verification of the Accounts of the Ministers: The Commission—How Composed; Method of Checking Reports. General Reports of the *Cour des Comptes*: They Are Two in Number; Processes Pursued.

Annual Report of the *Cour des Comptes*: Its Purpose; The *Cour des Comptes*' Place; Difficulties Overcome; Victory Final in 1832; Annual Reports to the Legislature; Reports Are Exhaustive; The Control Is Far-Reaching.

Cour des Comptes or Analogous Institutions in Other Countries: The Comptroller and Auditor General; Russia Has Minister of Control; The Russian and the French Systems; The Superior Prussian Chamber of Accounts; The *Cour des Comptes* in Belgium and Italy; The Italian System if Applied in France; A Recent Case in Point; The Accounts of Ministers in Italy; Characteristics of the French *Cour des Comptes*; Proposed New Functions.

The *ordonnateurs*, as we have seen, escape administrative control, because, being the ministers themselves, they have no superiors. As far as judicial control is concerned, Article 18 of the law of September 16, 1817, already quoted, excludes them formally from such control. "While the control over accountable officers is increased all the while, the *ordonnateurs* are permitted to move about independently and sometimes in an insolvent condition. The instrument is passed on, but not the hand which wields it. A mistake of one cent in the administration of an accountable officer is pitilessly taken up. The administration of the *ordonnateur* is exempt from examination: the greatest mistakes and the most fraudulent practices can be committed in the liquidations without financial justice deeming it necessary to interfere."

The *Or-
donnateurs*
Escape
Control

Fraud
Almost
Impossible

De Montcloux, former cashier of the Treasury,¹ thus expressed himself in 1840, using language obviously exaggerated; because the *ordonnateurs* cannot, as Montcloux claimed, commit the most fraudulent practices with impunity and without being prosecuted or penalized. First, the decree on accounting of May 31, 1862, says expressly: "Article 35. The administrators are responsible for the exactness of the instruments they issue." Articles 174, 175 and 177 of the penal code emphasize this responsibility. Furthermore, in the very nature of things the falsifying *ordonnateur* becomes mixed up to a greater or lesser degree in his accounts; he takes funds, hides them away, and organizes a secret administration, and this actually makes an accountable officer of him when he is discovered. Administrative pressure bears down on him and grips him pitilessly until a receipt in due form (*quitus*) liberates him. "The unofficial administration (*gestion occulte*) is submitted to the same jurisdiction and involves the same responsibility as the open administration." (Article 25 of the decree of May 31, 1862.) The alleged impunity of which Montcloux speaks is not complete, as we see. It is a fact, however, that the *ordonnateurs* are not examined. "Officers have the right to open the treasuries by their simple signature, and these men are not judged because of the fact that they have availed themselves of this right," says a more recent document. (Bill on parliamentary initiative of November 18, 1882.)

Montcloux's
Proposal

What Montcloux would have liked to see disappear, before all else, is the fiction of ministerial responsibility which covers the actions of the chiefs of the service, rendering them almost safe from attack. For this purpose he suggested a distinction between responsibilities, in order that they shall not fix

¹ The work of M. de Montcloux under the title: *De la comptabilité publique en France*, Paris, 1840, says in another connection: "The payment is a complicated matter; an account for the payment must be demanded from more than one agent. Let us not run the risk of seeing an *ordonnateur* delivering false pay-warrants for travelling expenses to supposed-to-be military men, another fabricating pay-warrants for priests who do not exist, or another supplying funds to a manager, who in turn applies them for his personal expenses . . . all these officers whose negligence is tantamount to peculation protect themselves with their dignity, which is immune from attack. . . . The *ordonnateurs* should be responsible for what they do. If they have done wrong, they should be brought to trial."

CONTROL OVER THE ORDONNATEURS

themselves on the minister himself, where they stop and become void.

"Let us separate, first," he said, "the action of the minister from the action of his subordinate. Let us declare that the minister is not personally responsible for what happens below him. Let us say for what he is responsible, and let us specify the responsibility of his agents. By this means, the question will become clear and possibly very simple. . . . Where would we have been, I ask, if the reasoning with regard to the accountable officers had been the same as it has been hitherto with regard to the *ordonnateurs*? Of course the Minister of Finance could not have been made responsible for illegal collections or for the embezzlement of funds; it was impossible to think of that. . . . Responsible agents have therefore been appointed in all possible grades, and secure as well as firm guarantees have been taken against them and their property. The same thing that has been done with regard to the ministry which receives the money, can be done with those who disburse it."

The solution suggested above appears to be too radical. It is impossible to think of demanding a bond of all chiefs of the service, nor can all civil and military administrators be released on the basis of documents passed upon by the *Cour des Comptes*.¹ The necessity for a serious and efficacious legislative control—if such control is the only one to which the *ordonnateurs* can be subjected—results obviously from the considerations explained above.

Need of
Legislative
Control

ACCOUNTS OF MINISTERS

A necessary element of every system of control is a statement prepared by the individual performing the operations (*titulaire des opérations*) to be verified. As a result thereof,

¹ The commission on the revision of the decree of May 31, 1862, when studying the question of the responsibility of the *ordonnateurs*, discarded every idea of pecuniary responsibility as far as the *ordonnateurs* were concerned. Disciplinary punishments, reduction in rank, transferring to another post, putting on the waiting list (*mise en disponibilité*), dismissal, were deemed by the commission as the only acts of repression which correspond to the position and the functions of the *ordonnateurs*.

THE BUDGET

Each One
Submits an
Account

the ministers submit annually to the legislature the following accounts: (1) Definite account of expenditures; (2) definite account of revenues; (3) general account of finances.

The law of April 28, 1816, was the first to specify requirements on this subject. "Article 122. The accounts of expenditures of each ministry shall be printed." Later, the law of March 25, 1817, in Section XII, under the heading, "Provisions as to accounts to be submitted to the chambers," renewed and developed the order given to the ministers to submit at each session a printed report on their operations during the previous year (Article 148). Article 150 of the same law specifies the data which must be contained in these accounts.

"The disbursing ministers of all the departments shall present reports on the expenditures which they have made in the course of their administration, and they must compare these reports with the payment vouchers which they have issued during the same period and with the special appropriations for each chapter of their budgets."

The law of May 15, 1818—establishing the law of annual regulation for the operations of each fiscal period—also provides that the accounts submitted by the ministers shall be attached as substantiating documents, and as an exhibit of this law of regulation. Finally, the ordinance of December 10, 1823—by which de Villèle completed his ordinance on accounting of September 14, 1822—outlined an exact program of subjects to be contained in the reports of the ministers¹ and organized besides a commission, of which we shall soon speak, charged with verifying them.

Reports to
Be in
Detail

As we have seen, the disbursing ministers of each department, by virtue of these successive provisions, are required to publish annually definite reports of their expenditures during the preceding fiscal period; these reports—prepared according to forms prescribed by regulations,² printed and distributed in the chambers—must constitute the substantiating elements of

¹ Provisions reproduced in the decree of May 31, 1862, Article 160.

² The definite accounts of expenditures of every ministry are divided as follows, and their division gives a sufficient idea as to their contents: (1) Appropriations made; (2) expenditures resulting from works performed; (3) payments disbursed on the basis of payment vouchers; (4) balances to be paid; (5) appropriations exceeding the expenditures; (6) appropriations not used up, to be annulled or carried forward; (7) definite appropriations of the fiscal period.

CONTROL OVER THE ORDONNATEURS

the bill for the regulation of the budget. Schedules, the insertion of which has been prescribed by various laws, must be attached to these accounts, for instance, tables exhibiting the closed fiscal period, annulled appropriations, disbursed payments, etc. (Law of May 23, 1834)—schedules showing residences given in state buildings (Law of April 23, 1883)—an enumeration of tobacco licenses (Law of July 27, 1870)—a list of students holding scholarships in the various educational institutions, etc. Furthermore, the Minister of Finance publishes two reports, which bear entirely upon his competent sphere, viz.: A definite statement of revenues and a general statement of finances. The statement of revenues presents the exact figure of taxes collected and assessed (*droits perçus et constatés*) in the course of the fiscal period, and also for reasons of control and of statistics, an enumeration of the securities, materials and quantities, to which the tariffs were applied. Article 149 of the law of March 25, 1817, prescribes: "The Minister of Finance shall present . . . (4) An account of the collection of gross proceeds of direct and indirect taxes."

A Definite
Statement
of Revenues

General Statement of Finances: The general statement of finances requires a longer explanation. It is contained in two quarto volumes of about one thousand pages and is respectable not only because of its bulky appearance, but also because of its contents.¹ Prior to the law of March 25, 1817, which gave it its present form (Article 149) there had been two annual accounts from the year VII of the Republic [1798-1799]; one was the account of the Treasury, the other the account of finances; both were published simultaneously by the Ministers of the Treasury and of Finance respectively. Beginning with 1817, the general account of finances came to be the only one in existence; but as it included more and more supplementary information, it was divided into two volumes. In order to reduce the description of the subjects which these books contain, instead of following the *preliminary notice* which is placed at the beginning of the yearly issue of the general statement of finances—and which sets out a complete list of its *general ac-*

¹ Because of a recent innovation, the Minister of Finance publishes a *Summary* (*Résumé*) of the general account, which summary has about 130 pages and follows the large general account, which always consists of two volumes in quarto.

THE BUDGET

counts and *special accounts*—let us limit ourselves¹ to commenting on the following heads: (1) Account of the administration for the elapsed year, presented by character of operations and by the divisions of the fiscal period; (2) same account prepared by the divisions of accountable officers; (3) numerous statistical information.

The
Accounts
Prepared
by Subject

Three Divisions in the General Statement: 1. The statement prepared by character of operations includes, like the reports of the accountable officers themselves, the total of operations performed between January 1 and December 31, covering the operations of the first year of the fiscal period and the complementary operations for the preceding fiscal period. The condition of the Treasury at the beginning and at the end of the year, opens and closes the records.² "The general statement of the administration of finances again traces the movements of the year and the condition of all the financial activities of the State at the beginning and at the end of the year." Owing to the division of the fiscal periods, which is maintained in the annual report, this first account makes it possible to reestablish the link which must exist between the accounts of the year and the accounts of the fiscal period. Already we have seen that the accountable officers operate by administrative periods and the *ordonnateurs* by fiscal periods.³ It was, therefore, necessary to bring their operations closer together in order to control them reciprocally. The means to do this are furnished by the general statement.

The
General
Statement

"The exactness of the statements of the fiscal period may be fully demonstrated only by their agreement with the accounts of revenues and expenditures. It is necessary to correlate those sections regulated by administrative period and those regulated by fiscal period, in order to pass from one to the other for the purpose of con-

¹ According to the *preliminary notice* (*note préliminaire*), the general statements are composed of six parts: (1) Account of the operations of the year; (2) account of the public taxes and revenues; (3) account of public expenditures; (4) account of the treasury; (5) account of the budgets; (6) general condition of finances.

² The general statement of finances, developing the budgetary operations and the operations of the Treasury in the course of the year, balances with totals of from 47,000,000,000 to 48,000,000,000 for the revenues and the expenditures.

³ Chapter V.

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trolling them." (Statement of Béranger, Commissioner of the King, 1819.)

The general statement—by adding the totals of the first part of the administrative period to the totals of the complementary portion at the beginning of the following year—shows the fiscal period complete. The *account of the budgets* (*Compte des budgets*) is prepared in the same way.

2. Another series of documents distributes the operations of accountable officers by divisions,¹ which is a new method of presenting the statement intended to facilitate a comparison of the ministerial accounts with the decisions issued by the *Cour des Comptes*. The legislative control—established by the ordinance of September 14, 1822, of which we shall soon speak—has left considerable difficulties with regard to their execution; the *Cour des Comptes* was lost in a mass of figures, which it was supposed, without having a guiding mark, to compare with the totals of accounts from all the accountable officers subject to its jurisdiction.² In order to help the *Cour des Comptes*, the ordinance of July 9, 1826, issued at suggestion of de Villèle, ruled to segregate henceforth, the annual operations by divisions of accountable officers in conformity with the order contained in the decisions of the *Cour des Comptes*. The latter, guided at each step, was able to finish the work safely, as we shall see. And, too, the ordinance of 1826 ordered the Minister of Finance to deposit annually with the registrar's office a *general statement of transfers of ac-*

The
Account
Prepared
by Division

¹ The majority of treatises and the decree of May 31, 1862, failed to mention this second part of the general statement. The reason for this is that they limited themselves to reproducing slavishly the original divisions outlined by the ordinance of December 10, 1823, which obviously could not mention the provisions inaugurated by the ordinance of July 9, 1826, in reference to the sub-division of records by classes of accountable officers. The drafters of the decree of regulation of 1862, while compiling the old texts, should have undertaken to bring them up-to-date.

² Collectors of the administration of registration, collectors of the administration of stamps and of domains, collectors of customs, collectors of indirect taxes, collectors of the administration of posts and telegraphs, the accounting agents of the national savings bank, the treasurers general of finances, the central paying cashier of the public treasury, the paymaster of the public debt, Army paymasters, the accounting agents of the Naval works, accountable agents of finances in Algiers, treasurers of the colonies, the accounting agent of the transfers of accounts.

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The
Statement
of Stations

counts in order that the *Cour des Comptes* might be able to change its own records to conform with the changes in the accounts of the ministries. A special agent certifies under his own responsibility as to this final harmonizing of accounts.

3. Finally, in the class of *statistical documents* there must be cited reports which do not form part, as do the preceding ones, of the official series of legislative control measures, but which none the less are of considerable interest. Some of these are included by virtue of legislative provisions. The main documents are: Account of the public debt as to principal and interest (recapitulating the successive making of loans at 5, 4½, 4, 3½ and 3 per cent), their conversions, their amortizations, the number of holders of bonds to order (*rentes nominatives*), or bearer bonds, etc.; account of moneys, stating the totals of gold and silver pieces by effigy and by diameter, minted since 1795, etc.; the schedules of the movements of the *découverts* of the Treasury, of the special operations, of the assets and liabilities of the Treasury, of fluctuations of the floating debt, etc.; table relating to closed fiscal periods, prescribed by Article 10 of the law of May 23, 1834; accounts of 3 per cent sinking fund bonds, of annual subsidies for railroad companies, of the guarantee of interest, of cash bonds, of civil pensions, of debits and claims in litigation, of the ancient extraordinary domain, of the contributions (*fonds de concours*), from the local administration of the colonies, etc.

In brief, the general statement of the administration of finances may be defined as follows:

“A document published annually by the ministry of finances, which recapitulates the operations of all the budgetary services in revenues and expenditures from January 1 until December 31, distinguishing the fiscal periods and the divisions of accountable officers, and also containing numerous accounting data or statistical information on the main, financial activities.”

COMMISSION FOR THE VERIFICATION OF THE ACCOUNTS OF THE MINISTERS

To what control is the material thus presented submitted?

In the first place, the ordinance of December 10, 1823, established an annual commission designated by the name of

CONTROL OVER THE ORDONNATEURS

Commission for the Verification of Accounts of Ministers, and composed of nine members selected by the Chief Executive from the Senate, the Chamber of Deputies, the *Conseil d'Etat* and the *Cour des Comptes*; ¹ this commission was charged with comparing the results shown in the journal and in the ledger of the ministry of finances, with the accounts published by the ministers, and of checking the latter with the main records kept in each of the ministerial departments.

The Commission—
How
Composed

The essential object of this work consisted in ascertaining *on the spot* that the statements of expenditures and of revenues and of the general account of finances agreed with the records of the bureau of general accounting of finances and of the central accounting bureau of each ministry. According to the wording of one of these minutes, the commission "has charge of showing that the results presented by the ministerial accounts are the exact expression of the facts."

As far as the definite accounts of expenditures submitted by each disbursing minister were concerned, the commission at first passed on their regularity. It did the same with regard to the definite accounts of revenues and the general statement of finances, whereby the latter attracted particular attention. Then the commission proceeds to examine the primary records from which these accounts were extracted. The commission balances the journal and the ledger of the public accounting bureau, ascertains that the journal tallies with the secondary books, that it contains the exact summary of accounts drawn up on the basis of the records of the accountable officers; it ascertains, furthermore, that the ledger of the public accounting bureau reproduced all the results shown in the journal. Finally, when the bases of verifications are ascertained, the commission compares them with the documents previously enumerated; the commission is then in a position to certify in its minutes that all are in agreement, which minutes are printed and officially communicated to the Minister of Finance, to the Senate and to the Chamber of Deputies.

Method of
Checking
Reports

In the course of its work, the commission also closes the books of the funded debt, the statements of debits and claims,

¹ The ordinance of December 10, 1823, constituted this commission only of the members of the *Conseil d'Etat* and of the *Cour des Comptes*. The ordinance of December 8, 1830, introduced into this commission members of the two chambers in order to give parliamentary guarantees to the operations of the commission in question.

THE BUDGET

the collection of which was entrusted to an agent of the Treasury, and the general accounts of *materials* of each ministry.

GENERAL REPORTS OF THE COUR DES COMPTES

They Are
Two in
Number

The extra-parliamentary commission is then succeeded by the *Cour des Comptes*, which exercises its authority by means of the publicity given to two publications growing automatically out of its accounting work. These publications are: The *General Statement as to Conformity* and the *Annual Report to the Chief Executive*. Let us study first the *general statement*, which the ordinance of September 14, 1822, established in the following phrase: "The *Cour des Comptes* shall ascertain and certify on the basis of the statements of individual accounts, the correctness of the general accounts published by the Minister of Finance and by each disbursing minister."

Processes
Pursued

The *Cour des Comptes*, in fact—after having passed on the reports of all the accountable officers in the form described above—derives figures of absolute certainty on the subject of budgetary operations; the *Cour des Comptes* has only to recapitulate them in order to control—without error or possibility of doubt—the statements submitted by the ministers. The ordinance of September 14, 1822, ruled that the *Cour des Comptes* should compare the totals of figures ascertained by its work with the totals of the accounts of ministers. From this results the *General Statement as to Conformity*. These general declarations are of two kinds: One relates to the *accounts of the annual administration*,¹ specially directed at the records of the general statement of finances which is kept by administrative periods; the other relates to the *condition of the expired fiscal period*² and aims at certifying to the con-

¹ The general declaration on the accounts of the year has the following legend: "The *Cour des Comptes* . . . , provided . . . , under the reservations expressed above, declares: (1) That the general statement of the administration of finances for the year . . . agrees . . . with the decisions passed on the individual accounts submitted by the accountable agents of finances for the year in question."

² General declaration on the definite situation of the fiscal period has the following legend: "The *Cour des Comptes* . . . , having duly examined . . . , in consideration . . . , declares: That the revenues and the expenditures included in the accounts of the ministers for the fiscal period . . . tally with the results of decisions passed on the corresponding operations which are stated in the accounts of the accountable agents of finances, unsupported by substantiating documents which serve as their proofs."

CONTROL OVER THE ORDONNATEURS

formity of the accounts of the disbursing ministers with those of the accountable officers. Although the first is kept by fiscal periods and the other by administrative periods, the divisions of the annual accounts—presenting separately, as we know, the operations of the two parts of the fiscal period—make it possible to pass with certainty from the administrative period to the fiscal period. The *Cour des Comptes* can, therefore, declare the agreement of its individual decisions passed on the administration of the accountable officers, with the figures of the statements of the vouchering ministers, just as it did with regard to the general statement of finances.

The ordinance of July 9, 1826, smoothed down certain difficulties, as has been explained, by compelling the administration of finances to prepare its statements by the divisions of accountable officers, the partial totals of which would serve to guide the *Cour des Comptes* in the recapitulation¹ of its decisions, and to prepare a table of transfers of accounts which would permit of their being checked by common agreement against the original charges. The *Cour des Comptes*, therefore, issues with perfect security its two general statements (for the year and the fiscal period), which—after being submitted to the Minister of Finance, printed, and communicated to the chambers²—serve as substantiating documents for the bill regulating the budget.

ANNUAL REPORT OF THE COUR DES COMPTES

The law of September 16, 1807, authorized "the referees to take notice of the observations which result from study of the revenues in relation to the laws, and of expenditures in relation to appropriations." (Article 20.) By means of these memoranda of the referees:

"The prince arch treasurer shall, in January of each year, suggest to the emperor the selection of four commissioners who shall form, together with the first president, a special committee charged with examining the

Its Purpose

¹ See what has been said on the subject with regard to the general statement of finances in which were inserted the two documents quoted above.

² The order of November 22, 1848, compelled the Minister of Finance to have the general declaration printed and communicated to the National Assembly.

THE BUDGET

observations made during the preceding year by the referees. This committee discusses these observations, discards those which it does not deem well founded, makes other observations the basis of a report which it submits through the president to the prince arch treasurer, who in turn communicates it to the emperor." (Article 22.)

This routine was merely to inform the emperor, personally, as to the management of the *ordonnateurs*. "Above all, act in such a way that I shall be informed of everything. The emperor confined in his palace can know only what people are willing to tell him. The *Cour des Comptes* will inform me," said Napoleon. It was a far cry from this confidential report to the public report, printed and distributed to the chambers, as was ordained by the laws of 1819 and 1832.

In 1819, in fact, the law of June 27 stipulated: "Article 20. An annual statement of finances shall be accompanied by a schedule giving report of the work done by the *Cour des Comptes*." The discussion, which preceded the insertion of this text, illustrates much better than its words the intention of the legislature to make the *Cour des Comptes* an adjunct of the legislative power by requiring periodical reports of its work.

The *Cour*
des
Comptes'
Place

"The *Cour des Comptes* is not united to the chambers by any tie; the result of its work is not communicated to the chambers at all. The institution—which could best be devised to secure the public interest, to supervise the expenditures, in the last analysis—deals only with mistakes as to dates or as to calculations, or mutilated names, or life certificates, or receipts or imperfect warrants. Through wise legislative provisions, the *Cour des Comptes* will become one of the most useful instruments of order, control and supervision." (Report on the bill of regulation of the fiscal period, 1815, 1816 and 1817 by Deputy Roy.)

"In order fully to empower the *Cour des Comptes* and to establish between it and the chambers the connection which should properly exist, it will be necessary that the commission—which by virtue of the law of 1807 has to proceed with the examination of the memoranda containing observations—combine its memoranda with the schedule showing the work done by the *Cour des Comptes*,

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in order that both shall be made public and distributed to the chambers." (Speech of M. Chauvelin, May 10, 1819.)

"The functions of the *Cour des Comptes* shall not be limited to judging separately the accounts submitted to it by the agents of the departments for revenues and expenditures. . . . The organization of the *Cour des Comptes* must be in harmony with the form of our government, in order to derive from this institution all the advantages to be expected." (Speech of M. Bignon, May 11, 1819.)

As the text of the law of 1819 did not clearly express the intentions of its protagonists, the reports of the *Cour des Comptes* "were lost in the library of the keeper of the seals, who, after 1815 had occupied the place of the arch treasurer." The legislative committees in vain demanded these reports; the Government always found some pretext for the postponement of their production and to prevent their crossing the threshold of the legislature. In 1829,¹ Deputy de Schonen formulated a bill requiring that these reports be printed and distributed.

Difficulties
Overcome

"Strange anomaly!" he said. "Everything is published, the accounts of the ministers, accounts of finances, accounts of the sinking fund, the reports of various commissions. Only one report is not printed. What am I saying? It is not even communicated to you; and, under the most futile pretexts, your commissions are compelled to do without it. However, this is the report of an independent body on the general accounting of the kingdom, a work which more than anything else should enter into your considerations, thus enabling you with full knowledge to act in the great matter of the budget." (Session of May 20, 1829.)

The suggestion of M. de Schonen, having failed in the Chamber of Deputies in 1829, was taken up by M. Taillandier in 1832, in the course of the discussion on the budget. The

Victory
Final
in 1832

¹ In 1828, Deputy Augustin P rier, who reported on the law of regulation of the budget for 1826, demanded that the work done by the *Cour des Comptes* be submitted. An amendment along the same lines was submitted by Bignon at the time of the general discussion. Neither of these suggestions brought results.

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suggestion was adopted, but not without opposition; because even M. de Schonen, who had become attorney general at the *Cour des Comptes*, energetically fought it, in spite of M. Tailandier introducing *verbatim* M. de Schonen's own suggestion of 1829. It was useless to remind M. de Schonen in his own speech; he claimed that the circumstances were changed and approved without reservation the opinion expressed previously by another officer of the *Cour des Comptes*, his new colleague, M. Rihouet, who had declared that publishing the report to the king was superfluous. He added:

"You may, gentlemen, order publicity by printing the report to the king. But the result may be that the report will resent the obligation under which you have put the *Cour des Comptes*; and, instead of containing certain interesting and far-reaching facts, the report will be only a pale copy of what it would have been without this publicity." (Session of April 2, 1832.¹)

Annual
Reports
to the
Legislature

Article 15, of the law of April 23, 1832, was nevertheless voted in the following terms: "The report—prepared each year by the *Cour des Comptes*, by virtue of Article 22 of the law of September 16, 1807—shall be printed and distributed to the chambers." Henceforth, the *Cour des Comptes* was specifically vested with the power to print and communicate to the legislature through the intermediary of the Chief Executive its observations on the administration of the *ordonnateurs*. It thus became an aid to the legislative authority in two ways: One of them through the *Cour des Comptes'* general declarations on conformity, and the other, through its annual report. In an indirect form, without acquiring a judicial stature and without positive sanction, its annual report to the Chief Executive gave to the *Cour des Comptes* precisely the same control over the *ordonnateurs* of which Article 18 of the organic law of 1807 appeared to divest them. The report discloses, first, the opinions on reforms and improvements which the examination of the various accounts have

Reports
Are
Exhaustive

¹ M. de Schonen himself said as follows in 1829: "Gentlemen, I cannot entertain the idea that the report of the *Cour des Comptes*, made in secret, is more truthful than if it were intended for publicity. No! the Magistrates do not have two kinds of language, they only know the language of duty and the language of truth!" (Session of May 20, 1829.) It is hard to contradict oneself more than that within three years.

CONTROL OVER THE ORDONNATEURS

suggested; then, by degrees it points out the ascertained infractions committed by the *ordonnateurs*. The President of the Republic, after the report has been submitted to him, requests each minister to explain the irregularities concerning his department. Each minister exculpates himself, or denies or admits, promising at the same time to do better in the future, but none promises not to relapse into his errors at the first opportunity. The total, the observations made by the *Cour des Comptes*, and the replies of the interested administrations, constitutes the annual volumes printed and distributed in the Chamber of Deputies and in the Senate, prior to November 1, of the year following the closing of the expired fiscal period. (Laws of January 26, 1889 and April 14, 1896.)¹

The
Control
Is Far-
Reaching

Such control often goes very far. We have already quoted a number of examples of fictitious pay-warrants, of irregular expenditures, of exceeding of appropriations, etc.,² discovered

¹ The reason why these laws insist so much upon the publicity of the report is that, as a matter of fact, publicity alone is able to render effective the observations of the *Cour des Comptes*. The example of the *Référés* amply substantiates this contention.

The *Référés* are "communications containing observations addressed to the ministers by the *Cour des Comptes* in re matters concerning the *ordonnateurs*." The various administrations, however, paid so little attention to these *Référés*, which were simple manuscript communications, that the Minister of Finance deemed it necessary finally to organize, by the decrees of May 13 and August 31, 1911, a permanent commission, the duty of which would be to see that the criticisms made by the *Cour des Comptes* should not become dead letters. Henceforth the interested branches of the service will have to submit, within four months, a precise and satisfactory answer to the observations made.

² Among the irregularities pointed out by the *Cour des Comptes*, the following can be picked out as examples: Purchases of bonds at the Stock Exchange on the eve of the elections of October, 1877, for the purpose of supporting the stock market. New Year's gifts to various agents of the central administration charged against the appropriations for materials for large public works. Allowances to janitors, gardeners, watchmen, etc., allotted from the appropriations for the rebuilding and large repair work on government buildings. Repair work on the scale platform of the cartridge factory at Vincennes charged against the appropriations for the expedition of Tonkin. Clock purchased with funds allotted to the chapter of food-stuffs. Provisions of bread, meat and coffee charged against the appropriations for forage. Traveling expenses of ministers not sufficiently justified. Costs of representation put at the disposal of mayors. Costs of refreshments for the *Conseils Généraux*. Illegal turning over of pieces of ordnance out of use for various monuments and statues, etc. Frequently members of the legislature, solicitous

THE BUDGET

through this control. If the annual reports of the *Cour des Comptes* were lacking, the majority of facts of this nature would remain unknown to the legislature and even to the Government.

In brief, notwithstanding the unavoidable red tape and the opposition of interested parties, the publication of the annual report of the *Cour des Comptes* yields valuable results, which the attorney general of this great institution enumerated with just pride, in his speech at the convening session, a few years ago.

COURS DES COMPTES OR ANALOGOUS INSTITUTIONS IN OTHER COUNTRIES

In France, the *Cour des Comptes* is a tribunal, judging accounts *a posteriori*, on the basis of documents. In certain other countries, on the other hand, the control of accounts does not rest with a tribunal, but with a branch of the administrative service. Elsewhere the control of accounts exercised, of course, by an independent tribunal is based not only on documents, but on visits and inquiries on the spot. Elsewhere, a modern innovation makes the control by the *Cour des Comptes* a preventive one.

The Comptroller and Auditor General

First, England puts the control over all the accountable officers of the Kingdom into the hands of one officer, the comptroller and auditor general, of whom we have spoken;¹ he performs the functions which until 1866 were exercised by a *board*, the Audit Office. He is appointed by the sovereign and paid out of the Consolidated Fund and cannot be removed, except by the two chambers, after petitioning the Crown to that effect. Strictly speaking, he would have the right to present his accounts directly to the House of Commons, in case the Treasury should exceed the legal time limit. His independence is thus secured to a large degree. However, he

of public welfare, avail themselves of the reports of the *Cour des Comptes* for the purpose of denouncing abuses which the government routine continues in spite of all injunctions. See particularly on this subject the speech of Deputy Brousse, Session of November 11, 1911.

¹ Chapter XXV, relating to the control of public expenditures, furnishes the details on the function of the comptroller and auditor general.

CONTROL OVER THE ORDONNATEURS

still remains an officer, subordinated to the Treasury.¹ On the other hand, he is the sole judge. Supplied in case of necessity with an *assistant*, he himself pronounces the decisions in his sphere of operations.² The law intended to constitute this unity so "that the responsibility would be more deeply felt by a single officer than could possibly be the case with five or six." In order to release the accountable officers, England did not deem it necessary to organize a solemn procedure and to render opinions; a simple administrative decision, emanating from a source rendered as independent as possible, is deemed sufficient. The advantage of this system lies in the promptness of the administrative verifications, following the facts as closely as possible—so closely that twenty-eight months after the first shilling is expended, said a French official sent on a mission to London, the definite liquidation of the fiscal period is complete. Such rapidity should fill us with envy.³

In Russia, where the control is also in the hands of the Administration, a special ministry of control directs sixty chambers of control in the provinces placed outside of the jurisdiction of the local governors. These chambers of control revise the operations of the accountable officers, receive the accounting records as they are prepared and themselves prepare the accounts on the basis of these documents. The

Russia Has
Minister
of Control

¹ The Treasury appoints directly the subordinate officers of the comptroller and auditor general. The Treasury approves its instructions to the accountable officers prior to sending them out. The Treasury also reserves for itself in certain cases the right to acquit the accountable officers of the rejections or the penalties imposed upon them as the result of the verification of their accounts.

² Below the comptroller and auditor general there are only agents, inspectors, examiners and deputy examiners who have charge of verifying for him the accounting records and of preparing matters for him.

³ The attorney general of the *Cour des Comptes* has thus set forth the differences of political and social organization which permits England to introduce this system of the control of accounts: "Why do these institutions, where the administrative functions become mingled with judicial functions, continue in Great Britain? It is because these ministers, these lords of the treasury are the chiefs of a powerful and respected oligarchy . . . the centuries old interests of which have never ceased to mingle with the interests of the State. The confidence which they inspire even to their political adversaries is justified by the increasing prosperity and the profound security which England enjoys under their administration." (Speech at the convening session, made on November 3, 1865, by M. de Casabianca.)

THE BUDGET

members of these chambers proceed periodically and unexpectedly to inspect the bureaus of accountable officers and to verify the contents of the treasuries, to prosecute local inquiries, etc.

The
Russian
and the
French
Systems

These last functions of the Russian system of control lead us to the consideration of the second point of dissimilarity from the French system, which dissimilarity has been pointed out. This lies in the authority given to the agents of control to travel and to make the verifications on the spot. This system is found not only in Russia, but also in Prussia, where it is even more striking, because the superior Prussian chamber of accounts resembles, in all else, our own *Cour des Comptes*. Its members are not subordinate to any other minister; they constitute an irremovable official body, responsible directly to the Emperor. The superior chamber renders opinions on the reports of each accountable officer; these it subsequently recapitulates in order to certify by general declarations of conformity the exactness of ministerial accounts. Finally, the superior chamber of accounts reports in a special paper to the *Landtag* the infractions of the financial legislation which have been committed by the administrators. Besides these powers, which are analogous to those we have studied in France, the superior Prussian chamber of accounts has the right, as we have said, to complete its control by means of actual examinations of the treasuries, by making inventories of storerooms, by proceeding to various places, by cross-inquiries, etc.¹ Do such supplementary functions appear to be wise for France? In the first place, [the French] *Cour des Comptes* would lose its character of tribunal, passing in a solemn way on accounts submitted to it for examination. Furthermore, the councilors of the *Cour des Comptes* would, when making such outside tours, run the risk of meeting the members of the general inspection of finances, to whom such missions are exclusively reserved.

The
Superior
Prussian
Chamber of
Accounts

The
*Cour des
Comptes*
in Belgium
and Italy

The control of the *Cour des Comptes* is of a preventive nature in certain countries. The preventive control of the *Cour des Comptes* in Belgium is exercised as to the passing of payment vouchers and to payments. In Italy, this preventive control also applies to the actions of public powers, to

¹ M. Marquès di Braga has given, in the *Annuaire de la législation étrangère* of 1873, the translation of the law of March 27, 1872, relating to the organization and the functions of the Supreme Court of Accounts in Prussia.

CONTROL OVER THE ORDONNATEURS

decrees and ministerial orders. Under this new form, it discovers the irregularities at their source proper, prevents the ministers from incurring expenditures without appropriations—expenditures which must be paid subsequently¹—and secures as a result thereof, and as efficaciously as possible, the strict execution of legislative authorizations. We shall not repeat, in this connection, the details given on this subject in Chapter XXV.

It is sufficient to state in addition, that, if the Italian preventive system had been working in France, the various cases of exceeding of appropriations mentioned above, could not have taken place. A fact particularly suggestive in this sequence of ideas deserves to be added to those previously cited. On January 20, 1886, the Minister of the Navy decided *proprio motu*, by a simple order that the age limit for the personnel of his department should henceforth be decreased by almost three years. As an immediate result, sixty-two assistants, almost all belonging to superior grades, were prematurely admitted to pensions, the amount of which encumbered the budget by sums greatly exceeding the legislative appropriations. Although the chamber, from the end of 1886, condemned the measure in question,² the minister, until his retirement from office in the middle of July, 1887, continued to insist upon the execution of his order of January 20, 1886. From this resulted an exceeding of the appropriation by the sum of 547,516 francs, and a demand for a supplementary appropriation at the end of the year 1888 intended to cover this extra expenditure. The chambers then hotly blamed the minister,³ declaring that his personal responsibility was involved. But, it was observed, the mistake had been made and

The Italian
System if
Applied
in France

A Recent
Case in
Point

¹ M. Cerboni, Director General of Accounting in Italy, wrote very justly as follows: "You know very well that as soon as an expenditure has been incurred, it has to be paid *per fas et nefas*." (June 9, 1888.)

² The Chamber of Deputies in its session of November 25, 1886, not only disapproved of the ministerial order of the preceding January 20, but, in order to give emphasis to this blame, it reduced by 787,000 francs the figures of the appropriation for the pensions of the Navy, the amount of which reached the figure of 26,276,000 francs.

³ The senator reporting on the subject to the Senate expressed himself as follows: "The actions of the minister have been the object of severe censure. . . . There is no doubt as to the fact that his responsibility is still involved." (November 29, 1888.)

a new minister had come into office—and that above all, the pensioners were waiting for the liquidation of their pensions—so the supplementary appropriation was finally voted. If a preventive control had been working, the unlawful ministerial order could not have been issued and still less could it have prolonged its existence for two years. Because of its inherent irregularity, the *visé* of the *Cour des Comptes* would immediately have been refused to such an order.¹

The
Accounts
of
Ministers
in Italy

To the three characteristic features of the *Cours des Comptes* in foreign countries, which have been enumerated above, the Italian *Cour des Comptes* adds a fourth, which is its specialty. This consists of a verification each month, in the course of the fiscal period, of the accounts of the ministers. For this purpose, the Minister of the Treasury transmits each month to the *Cour des Comptes*, as the operations are carried out, statements of revenues and of expenditures, accompanied as far as the revenues are concerned by reports from the different inspectors of the financial administrations and, as far as expenditures are concerned, by vouchers showing receipted disbursements. The *Cour des Comptes* immediately verifies these statements without prejudicing the judicial control of the accounts of accountable officers, which takes place after the execution of the budget.² Thus, the *Cour des Comptes* finds itself in a position to ascertain at the expiration of the twelfth month the exactness of the totals of ministerial accounts. Undoubtedly these results are based on temporary elements only, the figures of which are likely to be corrected when the opinions relating to the individual reports of the accountable officers shall be recapitulated; then, the *Cour des Comptes* will be able to show exact totals almost to a cent. In the meantime, when, in France, in the majority of cases, the accounts of the accountable officers are about to be submitted, the Italian accounting has already been audited with approximate correctness.

¹ So much more, because the previous *visé* of the orders relating to the granting of pensions is specified in a particular manner in the Italian accounting law.

² The ordinary forms of passing on the accounts of the accountable officers in Italy are the same that we have seen put in practice in France. A third section of the Italian *Cour des Comptes* has special charge of this judicial control *a posteriori*. The first section has among its functions the preventive control; the second section has among its functions the examining of decrees or orders relating to pensioning, removal, etc., and to the liquidation of pensions:

CONTROL OVER THE ORDONNATEURS

In brief, the French *Cour des Comptes*—compared with the *Cours des Comptes* or analogous institutions of foreign countries—shows the following characteristic features: It does not constitute a branch of the Administration, but an independent judicial body; it does not travel, but passes its opinions wholly on the basis of documents; it does not exercise any preventive control in the course of the execution of the budget, as it works only *a posteriori* with regard to closed fiscal periods; finally, it does not affirm the exactness of ministerial accounts, until after having verified all the individual reports of the accountable officers without preceding this definite control by a temporary and more rapid control.

Character-
istics of
the French
*Cour des
Comptes*

Nobody should wonder, therefore, that the French *Cour des Comptes*—founded in so sound a way in 1807, and so justly proud of its long and honorable traditions—should hesitate to accept a new function. It would be a degradation to the French *Cour des Comptes* to descend from its judicial seat, to renounce the certainty of its verifications of closed fiscal periods, or to abandon the rigorous precision of its declarations *a posteriori*. This sacrifice, however, is not demanded of it. There is in contemplation merely, the adding of subsidiary functions to its present functions which would remain intact. The establishment of a parliamentary régime brought with it new needs for control. There is a growing mass of operations having to do with revenues and expenditures, hence—because of frequent changes in the personnel of the ministerial departments, and because of the constant interference of the deputies in public affairs—the auditors need to penetrate in a more immediate way into contemporaneous facts. They must bring the machinery for preventive control as close as possible to the work of the *ordonnateurs*; they must keep the chambers posted from day to day, and above everything else, they must struggle hard to curb the tendency to exceed appropriations, which upsets the original estimates and destroys the budgetary equilibrium. No other authority save the *Cour des Comptes* could perform this indispensable service in France. We need not hesitate to repeat in this connection the conclusions formulated in Chapter XXV.

Proposed
New
Functions

CHAPTER XXX

REGULATION OF THE BUDGET

The Definite Regulation of the Budget: Arguments Against the Law on Regulation; The Ends Served by the Law on Accounts; Documents Assembled in the Law on Accounts; The Ministerial Accounts.

Parliamentary Procedure: Too Long Delays; Little or No Debate; Carelessness of the Chambers; Moral Culpability of the Chambers; Chambers Punctual Under the Restoration; Table of Approved Dates; Famous Debates on the Regulatory Law; Important Subjects Discussed; Budget Plans Debated.

Regulation of Accounts in England: No Law of Regulation; Official Statements; What Is an Appropriation? Committee on Public Accounts; The Comments of the Commissioners; Excellence of the English System.

The Definite Regulation of the Budget

The voting on the law for the definite regulation of the budget or the law on accounts¹ ends the machinery for budgetary control. Until 1818, the Administration published more or less completely the condition of the expired fiscal periods in tables annexed to the fiscal law. No legislative acts, however, intervened to close the figures finally.² The law of May 15, 1818, contained the following provisions: "Article 102. The definite regulation of previous budgets shall, in the future, form the subject of a special law, which shall be suggested to the chambers before submitting the annual fiscal law." Since 1819, this rule has been applied. The deputy reporting on this first bill of regulation—relating to the fiscal periods 1815, 1816 and 1817—declared:

"The preceding fiscal law intended that the definite regulation of previous budgets should be in the future the subject of a special law, the submitting of which

¹ The real title reads as follows: "Law regulating definitely the budget of the fiscal period . . ."

² Thus, the fiscal periods, 1814 and 1815, were successively regulated with new figures by the three laws on budgets of 1816, 1817 and 1818.

REGULATION OF THE BUDGET

should be accompanied by accounts required by the law of March 25, 1817. This is the first time that this legislative provision has been put into execution. Time will make its importance appreciated." (Report of Deputy Roy, April, 1819.)

At the beginning of the Restoration, however, several members of the extreme parties contested the necessity of the law on accounts, even pretending to discover in this law an encroachment upon the prerogatives of the Crown. The regulation of accounts, they said, rests with the executive authority. The legislature is supposed only to make the laws, to express wishes and to issue commands. An account, on the other hand, is but a statement of facts, and facts are not ascertained by law. These reactionary theories—analogueous to the theories set forth in Chapter II, with regard to the vote on budgetary expenditures—acquired enough consistency to warrant the necessity of lengthy refutations. The speech of Count Daru in the *Chambre des Pairs* on June 22, 1819, devotes fifteen or twenty pages to show that:

Arguments
Against
the Law on
Regulation

"To demand accounts does not mean any intention on the part of the chambers to encroach upon the Royal authority, . . . that the right of examining and controlling the expenditures of the State necessarily coincides with the right of voting the funds intended for meeting these expenditures, and that it is impossible to vote new taxes without knowing to what use the preceding taxes were put. . . ."

The law of accounts, in fine, gives a necessary finality to the law of the budget. The one anticipates and authorizes the public revenues and expenditures, the other proves their fulfilment. The one outlines the way of the execution of the budget; the other ascertains whether this road has been strictly followed. "At this second examination, which the same budget must undergo before your eyes," Mollien used to say, "the actual facts are confronted with the promises. The facts stand in judgment on the estimates." (Report on the plan of the regulation of the fiscal period 1828. *Chambre des Pairs*, December 27, 1830.) The law on accounts, by bringing the budget before the legislature after its execution, restores the machinery to equilibrium; the preparation and the execution

The Ends
Served by
the Law on
Accounts

THE BUDGET

of the budget rest in the hands of the executive power, while the control as well as the vote on the budget remains a prerogative of the chambers.

Documents
Assembled
in the
Law on
Accounts

If we shall pass lightly over the law on accounts, in spite of its importance, it is because its study is fairly completed by enumerating the documents used in its preparation. Let us recall the list: (1) Accounts of the disbursing ministers, definite account of revenues and general statement of finances (Chapter XXIX), prepared by virtue of the law of March 25, 1817, and of the ordinance of December 20, 1823; (2) reports and minutes of the commission for the verification of the ministerial accounts, which was organized by the ordinance of December 20, 1823; (3) general declarations of conformity rendered by the *Cour des Comptes* by virtue of the ordinance of September 14, 1822, which was completed by the ordinance of July 9, 1826; (4) annual report of the *Cour des Comptes* to the Chief Executive published and distributed to the chambers in conformity with the provisions of the law of April 21, 1832; (5) finally, the statement of supporting arguments and the government bill with regard to the regulation itself.

The
Ministerial
Accounts

The material exactness of ministerial accounts is first certified to by the extra-parliamentary commission on verification and by the recapitulating work of the *Cour des Comptes*. It is quite an achievement to be able to operate, keeping accurate figures. The statements of the *Cour des Comptes* point out in a special table "the irregularities and the infractions of the laws and regulations of public accounting"; the annual report to the President of the Republic appraises the financial management of the accountable officers and the *ordonnateurs*; this appraisal, when checked against the explanations furnished by the various administrations, enables one to judge of the merits of the criticism. Equipped with this important mass of information, the legislature, fully familiar with the problem, condemns or approves, establishes new rules on the basis of past experience, determines the responsibilities, and amends instructions and decisions involved by the operations performed by the Government during the course of the expired fiscal period. "The National Assembly shall pass on and definitely audit the accounts of the Nation," reads the law of September 17, 1791. This formula, proclaimed by the Constitutional Convention, which did not succeed in putting it into practice, has thus become a verity. The legislature passes on and audits the accounts of the Nation.

REGULATION OF THE BUDGET

PARLIAMENTARY PROCEDURE

The parliamentary procedure with regard to the vote on the law of accounts is the very same as that on the vote on the budget, the mechanism of which has already been described. The Minister of Finance submits the bill, preceded by his statement of supporting arguments, to the Chamber of Deputies, which turns it over for purposes of study to a commission, which then drafts a report and submits to the Assembly the text of the bill. The general discussion and the discussion by article¹ are followed by partial votes, which are completed by a ballot on the whole. The same formalities take place in the Senate. Then follows the publication of the law, which is final.

The questions of procedure have, in this connection, a secondary importance only. Let us, therefore, devote our attention, trying to follow the chambers of our times in the performance of their functions of control. In the first place, the delays in the examination of the law on accounts by the legislature make a painful impression. In this connection, the dates speak for themselves. The budgets for the fiscal periods 1871, 1872, 1873 and 1874 were finally approved by the laws of July 23, of August 1, 11 and 14, 1885, that is, ten, eleven, twelve and thirteen years after the closing of the budgets. These four dates, July 23, August 1, 11 and 14, 1885, after all, are delusive;² in reality a single session was sufficient to approve the four belated budgets; a single session with no discussion. In the Chamber of Deputies, the four plans—submitted for the sake of formality to a discussion, in which no speaker took part—were immediately voted, one after the other. (Session of October 23, 1884.) In the Senate, there occurred an uninterrupted reading of the articles which were adopted successively by rising vote; a ballot was taken on the total, all in one session (July 9, 1885). The approval of the budget for 1875, carried out by the law of July 22, 1887, took

Too Long
Delays

Little or
No Debate

¹ The voting of the expenditures which are inserted in the annexed tables does not take place by ministerial chapter, as far as the law of regulation is concerned; every article of the law in this connection is voted on successively.

² The Government spreads apart the decree of the publication of these laws; first, in order to save the space of their insertion in the official papers, then in order to give to every one of them a distinct date.

THE BUDGET

place ten years after the closing of the fiscal period.¹ The laws of regulation for the budgets of 1876, 1877, 1878 and 1879—voted by the Chamber of Deputies eight, nine, ten and eleven years after their closing (March 24, 1889)—occupied but a single session. With regard to the fiscal period 1876—after the discussion, both general and by article—an additional provision, relating to the responsibility of a former minister, involved in connection with the affair of a special train for Don Carlos, of which we have spoken, brought on a debate embittered by political strife.² While the articles of the budget for 1877 were read, the assembly was silent, or engaged in conversations, and voted approval without discussion. The budgets for 1878, 1879 and 1880 evoked discussions over the sinking fund bonds, the accounts of the exposition of 1878, the system of distribution of relief funds allotted the victims of disasters, etc. The indifference, however, to such retrospective control, is evidenced by the vote, which was given in two half-sessions. On the evening of the same day, a newspaper made light of this assembly of archeologists, engaged in excavations on ancient and venerable soil. "A definite approval of the budget, ten or twelve years after its revenues and its expenditures have been registered, is but an inoffensive pastime. Scientists may derive some pleasure from that; but it means as much as to be interested in some megalithic tomb."³

Careless-
ness of the
Chambers

The budgets for 1881 and 1882, under similar conditions were approved at a single session by the Chamber of Deputies, eight or nine years respectively after their execution. (Session of July 17, 1890. Laws of June 7 and 14, 1891.) Furthermore, the Senate at the beginning of the session of May 25, 1891, voted hastily, as if plans of local interest might have been involved, the successive approval of the budgets for 1881,

¹ Several legislatures often succeed each other without being able to attend to the vote on the bill of regulation submitted by the Government. The latter reëdits its statements of supporting arguments. Thus, with regard to the regulation of the fiscal period 1875, after the first plan had been submitted on March 22, 1879, and the legislature's term had expired without action, a second plan was submitted on November 11, 1881. As the discussion on this second plan had not been started in the four years of the new legislature, the law of July 22, 1887, finally succeeded, after a third plan had been submitted on December 5, 1885, to regulate the fiscal period 1875.

² See the statement of this incident in Chapter XIII.

³ *Le Temps* of March 27, 1889.

REGULATION OF THE BUDGET

1882 and 1883. A single speaker arose to point out the importance of these laws, "which we are voting, so to speak, by standing up." On June 29, 1899, two plans relating to the fiscal periods of 1889 and 1890, and on June 21 and June 23, 1900, three plans relating to the fiscal periods 1891, 1893 and 1895, were passed by the Chamber, article by article, without a remark to interrupt the monotonous reading of the president. In 1902, or more than eleven years after the closing of the fiscal period, the approval of the budget for 1889 was voted, as well as seven other laws of approval, in order to clear their calendars. The reading took place before thinly scattered, indifferent auditors, and no remark was passed, save by a member to the effect that no quorum was in the Chamber.

The eight laws of regulation, passed one after the other in 1902, filled a gap of six years, during which the legislative body forgot about this part of its task. Since then, laws have succeeded each other from year to year, at more or less regular intervals, but always under the same conditions of hasty examination, of delays and of indifference.¹

And yet, how many infractions might have been denounced, repressed or prevented, if the chambers had been willing to interest themselves in due time in the laws of regulation! How many facts had been pointed out by the *Cour des Comptes* which might have raised wholesome discussions! How many suggestions might have been made! How many moral teachings might have been adduced! The deputies and senators reporting in the name of the commissions on budget are well aware of conditions. In spite of this unconcern, the commissions on budget continue meritoriously to perform their duty. Without them, parliamentary control would remain a dead letter.²

"In proportion," the commissioners wrote, "as one is removed from the facts, the responsibilities disappear or

¹ Read the account of the session of the Chamber of Deputies of November 11, 1910.

² The reports of the commissions of the legislature are almost always prepared in normal periods of time. It is the Chamber which delays the putting of these reports on its order of the day. For the fiscal period 1889 the commission has even inaugurated the preparing of a special report on the ministry of war, the irregularities of which the commission deemed to be sufficiently numerous to fill a separate volume. (Report of December 9, 1894.) See the same way in 1912, M. Louis Marin, deputy for Nancy, devoted a very important report to the ministry of foreign affairs.

THE BUDGET

diminish and the sanctions disappear too. One leaves the actual in order to enter the domain of history, and the resolutions of the public authorities seem rather to be doctrinaire decisions than acts of authority." (Report of Senator Clamageran on the regulation of the fiscal period 1871, June 25, 1885.)

Moral
Culpability
of the
Chambers

"A period of nine years has elapsed since the closing of the fiscal period, the approval of which is now demanded. During this interval, ministers have succeeded each other, the chambers have been partly renewed, the memory of previous financial events has disappeared to a certain extent and the legislative control over an administrative period, lying so far back, resembles a scientific research as much as an actual supervision over the use of appropriations made by the legislature." (Report of Senator Marquis on the regulation of the fiscal period 1875, June 14, 1887.)

"You approve, as you have just seen, within a few minutes—without having heard anything and without discussion—a budget which was executed ten years ago." It follows that: "One can scarcely be amazed to find the same abuses persisting, the same infractions of our laws and our financial regulations which are constantly disclosed in the reports of the *Cour des Comptes*." (Speech of Deputy Fernand Faure, reporting in the name of the commission on budget, March 25, 1889.)

"No one knows any longer, how and from whom to demand an account." (Speech of Senator Boulanger, reporting in the name of the commission on finances, March 25, 1895.) "It is really lamentable to see with what carelessness the legislature regulates at times, at a single session, without comment and before vacant seats, 10,000,000,000 to 12,000,000,000 of expenditures." (Deputy Bozérian, May 14, 1895.)

Thus, at the very moment when the legislative control might assert itself efficaciously, the actual parliamentary practices are futile, rendering all the heavy preparatory work of the commissions on accounts valueless. These commissions, however, continue to perform their mission without becoming discouraged and in the vain hope of a better destiny.

Chambers
Punctual
Under the
Restoration

The chambers under the Restoration had entirely different views as to what was incumbent upon them. In the first place, as far as dates are concerned, the regulating laws of the Resto-

REGULATION OF THE BUDGET

ration were discussed and passed with a remarkable degree of punctuality. Each year, without exception, about the middle of the third year of the fiscal period, the law of approval was enacted before that approving the future budget. At that time the fiscal period closed on December 31, of the second year; hence the chambers finished their task by voting the law of approval only six months after its closing. This may be seen from the following table:¹

Besides, in conformity with the text of the law of May 15, 1818, the laws of approval under the Restoration always preceded or accompanied the submitting of the future budget; thus, the chambers were in a position to control the past before

¹ In connection with the dates of the laws of regulation passed under the Restoration, let us note those relating to fiscal periods after 1870:

Fiscal period 1870	Law of August 5, 1882
Fiscal periods 1871, 1872, 1873, 1874	Laws of July 23, August 1, 11, 14, 1885
Fiscal period 1875	Law of July 22, 1887
Fiscal periods 1876, 1877, 1878, 1879	Laws of March 6, 13, 20, 27, 1890
Fiscal period 1880	Law of June 27, 1890
Fiscal periods 1881, 1882, 1883	Laws of June 7, 14, 21, 1891
Fiscal periods 1884, 1885, 1886	Laws of March 23, April 21, July 20, 1895
Fiscal periods 1887, 1888	Laws of April 16 and May 18, 1896
Fiscal periods 1889 to 1896	Eight successive laws in 1902
Fiscal period 1897	Law of May 4, 1903
Fiscal period 1898	Law of November 30, 1904
Fiscal period 1902	Law of December 2, 1911
Fiscal period 1903	Law of December 11, 1911

Thus, while under the Restoration the laws of regulation followed each other, from year to year, they are now separated in series by ten, twelve or thirteen years from the fiscal periods to which they refer.

Approval of fiscal periods, 1815, 1816 and 1817	Law of June 27, 1819	Table of Approval Dates
" " " "	1818 " " May 28, 1820	
" " " "	1819 " " Apr. 23, 1821	
" " " "	1820 " " Mar. 31, 1822	
" " " "	1821 " " Apr. 8, 1823	
" " " "	1822 " " July 13, 1824	
" " " "	1823 " " May 21, 1825	
" " " "	1824 " " June 21, 1826	
" " " "	1825 " " June 6, 1827	
" " " "	1826 " " Aug. 6, 1828	
" " " "	1827 " " July 16, 1829	

THE BUDGET

making future budgetary appropriations. Some profit was thus gained from experience. "The past throws its light on the future." (Report of Augustin P  rier on the regulation of the budget for 1826, May 28, 1828.) "The examination of the accounts of 1825 must be attached to the bill on finances for 1828, which shall occupy us constantly." (Report of Barb  -Marbois on the regulation of the budget for 1825, May 21, 1827.) Thus, on April 5, 1824, the bill for the approval of the fiscal period 1822, was submitted jointly with the budget bill for 1825. The plan for the approval of the fiscal period 1827 was presented jointly with the budget plan for 1830, on March 11, 1829. In 1833, an authorization was given to put off for two months, in certain special cases, the submitting of the laws on accounts. (Article 14 of the law of June 28, 1833.) On this score, the Minister of Finance, Humann, on March 10, 1834, excused himself at the time of submitting the accounts for 1832, for being the first to avail himself of this new legal power. Many scruples of this kind appear to be out of date at present.

Famous
Debates
on the
Regulatory
Law

The laws of regulation under the Restoration called forth solemn discussions of which the parliamentary archives of the period preserve eloquent evidence. All the great financial events are there recorded in the addresses of the celebrated speakers of the period. The moment for delivering them appeared particularly well chosen—close enough to the event to be sure that they would be remembered, but far enough from the passions of the day to permit one to free himself of them. Thus, very interesting questions bearing on these laws were debated by eminent men; discussions on the form of loans contracted for the purpose of liberating the country;¹ discussions on the intervention of the minister at the stock exchange; discussions on carrying forward the available funds of the Treasury; on the causes of the Math  o deficit; discussions on the responsibility incurred as the result of the Ouvrard con-

Important
Subjects
Discussed

¹ Criticism formulated at that time against the operations of Corvetto reaches beyond the personality of the minister in question; at that time the problem of establishing modern principles of public credit was involved. Thus, when in 1821 and 1823 it was necessary to contract new loans in order to balance the postponed portion of the liquidation, these principles happened to be so well illustrated and so firmly established owing to the preparatory discussions on the laws of regulation, that the sale of 25,500,000 of bonds offered for subscription took place under conditions which were most favorable, both to our interest and to our prestige.

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tracts; on the liquidation of the accounts of the Spanish War; discussions on the results of canal franchises; discussions on the exceeding of ministerial appropriations and the method of proceeding against those responsible therefor; discussions on the financial prerogatives of the chambers, etc. In these discussions, such men participated as Baron Louis, De Villèle, Roy, Royer-Collard, Benjamin Constant, Mollien, Daru, Barbé-Marbois, Casimir Périer, etc.

Not only did each discussion terminate in a proper resolution, but the general rules resulting from it brought our system of budgetary accounting to a high degree of perfection in a short time. In fact, the main regulations of accounting originated in the course of preparing the laws on accounts, either directly by provisions included in the text of these very laws,¹ or, indirectly, by measures adopted as the result of voting on them. Thus, the famous ordinances elaborated by De Villèle in 1822, 1826 and 1827, sum up the principles developed in the discussions on the laws of regulation.²

These discussions, however, did not supplant those on the future budget—quite the contrary. When discussing the budget, the chambers contemplated the future equilibrium, explored the financial horizon, and endeavored to discover the best way to care for public works. When they prepared a

Budget
Plans
Debated

¹ The law of regulation of the fiscal periods 1815, 1816 and 1817 provides for the annual publication of the work done by the *Cour des Comptes*. (Article 20.) The same law provides for changing into bills, at the very next session of the Chamber, the ordinances relating to extraordinary and urgent expenditures. (Article 21, Law of June 27, 1819.) The law of regulation for 1820 provided for a general statement of capital deposited as bonds. (Article 8, Law of March 31, 1822.) The law of regulation of the fiscal period 1825 provided for the carrying forward from one fiscal period to the other of the funds not used and resulting from the proceeds of the *centimes* paid as subsidies in case of damages from hailstorms, conflagrations, etc. (Article 8, Law of June 21, 1826.) The law of regulation of the fiscal period 1827 inaugurated the establishment of annual inventories which ascertain the situation of the furniture supplied by the State to the departments and the various public officers. (Article 8, Law of July 29, 1829.)

² In the same way the ordinance of 1832 and the law of 1833, relating to the control over the receipts of the Treasury, owe their origin to a statement of incidents, with regard to the *Kessner deficit*, which statement was included in the report of the *Cour des Comptes* on the accounts of the fiscal period 1831 and submitted to discussions by the Chamber of Deputies in connection with the subject of these accounts.

THE BUDGET

plan, perspicacity was its chief quality. The laws on accounts, on the contrary, looked into the past, and analyzed and classified precise facts and reliable figures. In this connection the main quality was no longer perspicacity which penetrated the future, but the spirit of order which regulated the past. By putting each of them successively into action, the Restoration obtained financial results, such as no other period is able to show.

REGULATION OF ACCOUNTS IN ENGLAND

No Law of
Regulation

On the basis of these conclusions, we must expect to find in England a well-ordered control. This is actually the case. Properly speaking, the English Parliament does not pass a law of regulation. The House of Commons—notwithstanding its supremacy in financial matters—does not deem it necessary to have the budgets submitted after their execution, in order to control them. Parliament's control over them is none the less efficient.

Official
Statements

The British administrations at first publish annual accounts of their operations, some of them for statistical purposes only, others for the sake of having available accounting documents. The latter are: (1) The *Statistical Abstract*, which contains a summary of public revenues and of public expenditures, of the debt, of imports and exports, of shipping results, of the operations of banks, of railroads, of street cars, of clearing houses, of the post and telegraphs, etc.; it is a document of universal value.¹ (2) The annual reports of the commissioners of customs,² of the commissioners of internal revenues,³ of the postmaster general,⁴ etc.; all are small blue booklets,⁵

¹ *Statistical Abstract for the United Kingdom in each of the last fifteen years.* The English Government publishes also a *Statistical Abstract for the principal and other foreign countries*, giving for foreign nations information analogous to that which the aforesaid *Statistical abstract* contains with regard to Great Britain.

² *Report of the Commissioners of Her Majesty's Customs and Excise* (for the year ended March 31).

³ *Report of the Commissioners of Her Majesty's Inland Revenue* (for the year ended March 31).

⁴ *General Report of the Post Office.*

⁵ These small blue books, in spite of the mass of information which they contain, cost only five or six pence apiece, or from fifty to sixty centimes. The English taxpayers, therefore, if they so desire, may inform themselves at low cost as to the nature, importance and distribution of the taxes they are paying. Besides, the obligation of

REGULATION OF THE BUDGET

indispensable to those who devote themselves to the study of English finances, furnishing, as they do, valuable data on the periodical movement of public revenues. (3) Besides these statistical publications, there are those of an accounting nature issued yearly by the Treasury Department, of which the finance account is the first, and which¹ present the tables of receipts and expenditures of the Exchequer, between April 1 and March 31, together with the balances of the accounts at the beginning and at the end of the year. All operations for revenue and expenditure are specified in detail and by chapter in this *finance account*. The Bureau of the Treasury prepares this on its own responsibility, and it does not constitute as yet an *audited* account, that is, an account approved by the comptroller and auditor general. (4) The *audited* accounts, which are invariably intended to serve as the official bases for the control by Parliament, are the *appropriation* accounts.

We have already mentioned the term *appropriation* when speaking of the *Appropriation Bill*. An appropriation consists of a classified estimate of an expenditure by chapter. In this connection, the object of the appropriation is to present to Parliament the actual expenditure in order to ascertain its correlation with the expenditure anticipated in the *Estimates*. Each administration prepares its own appropriation account through an accountable officer, and transmits it to the comptroller and auditor general, who, in order to proceed with his *audit*, uses the opinions previously rendered by himself on the individual accounts of the accountable officers and proceeds to the very seat of the various branches of the service, where all the books are put at his disposal. The accounts of the civil services form the subject of a detailed *audit*. The accounts of the department of War, of the Navy, and of the financial administrations are *audited* only by making tests. The *appropriation accounts*—as soon as they are provided with the comments of the comptroller and auditor general and combined

What Is an
Appropriation?

rendering an annual account compels every administration to recapitulate its actions, to account for itself, to appear before the public at least once in one year. It would be very useful, from these different points of view, if the French administrations would publish periodically an analogous report. This certainly is going to be done some day and should be started at once.

¹ *Finance accounts of the United Kingdom of Great Britain and Ireland for the financial year . . . ended March 31. . . .*

THE BUDGET

Committee on Public Accounts

with the reports of the latter in a volume¹—become a point of departure for parliamentary control. The House of Commons² then puts a parliamentary commission, called the *Committee on Public Accounts*,³ in charge of examining them.

This committee⁴ not only examines the accounts, but summons successively the accountable officers of each branch of the Administration for the purpose of questioning them. A special room in the Palace of Westminster is given over to the committee. After the accounts have thus been discussed, revised, completed and, if necessary, scrutinized in all their details, the parliamentary committee prepares its report. The chairman, who, by virtue of the law, must report on the subject, submits it in several parts, the last of which is handed in about two years after the beginning of the financial administrative period. He submits this report to the House of Commons, which causes it to be printed and distributed. This ends, in England, the series of operations relating to legislative control. No official approval is given to the report sub-

¹ The volume of appropriation accounts is divided into three parts, relating to the ministry of war, the ministry of the Navy, and to the civil services.

² The submitting of the appropriation accounts to the House of Commons is done through the intermediary of the Treasury and takes place on the following dates: For the Army, on February 25; for the other services on January 21 following the preceding March 31. This makes a total of ten or eleven months after the end of the fiscal year. On the other hand, the comptroller and auditor general must have received the same accounts on December 31 for the Army and on November 30 for the other services.

³ *Committee on Public Accounts.* These committees or commissions on public accounts were organized by William III, right after the Revolution of 1688. After a period of suspense in the course of the eighteenth century, they were reestablished under the ministry of Pitt in 1786. Their duties have been formulated since the beginning as follows: "To submit reports on such regulation as they might deem proper to establish for the purpose that the taxes and dues voted be collected and applied in the most profitable way to the public services of the Kingdom."

⁴ The members of the commission of public accounts are appointed by the Speaker of the House of Commons. They meet every Wednesday, and remain in session from two o'clock in the afternoon until the opening of the public session. The report from which we take a part of this information prompts the information that the English Parliament deems it a point of honor to bring into the commission of public accounts a certain number of members of the Opposition and carries its delicacy even as far as selecting the chairman of the commission from the ranks of the Opposition.

REGULATION OF THE BUDGET

mitted by the committee on public accounts. The House of Commons, as a whole, does not discuss them and does not take a vote on the subject. Each member of the Commons, however, has a right to point out any incident, or to make a motion relating to special points in these reports, if they appear to him to warrant their being brought to the attention of the Chamber; this right has been often invoked.¹

The comments of the commissioners on public accounts have great authority. A summary of them constitutes a real code of English accounting, giving on every important and disputed question the solution intended henceforth to guide the administrations. Each year volumes of *public accounts*—together with detailed tables and annexes containing the minutes of sessions, in the course of which the accounting officers of each ministry have been questioned²—are printed and distributed in successive series.

In brief, runs the report of a high French official, sent to England on a special mission:

“Although there is no solemn regulation of the budget by law in England, as in France, the English Parliament is none the less^{*} jealous of having the Crown strictly execute the budgetary law. The minute and unceasing intervention of the committee on public accounts is a stimulus to all parties. Furthermore, the surprising fea-

The Comments of the Commissioners

Excellence of the English System

¹ The Scudamore affair, in 1873, relating to an exceeding of the appropriation by 20,300,000 francs on the part of the administration of the posts, at the time of purchasing the telegraph lines, is cited as an example in this connection. Pointed out in the report of the committee of public accounts, it was taken up by Parliament as the result of a special motion, and caused very lively discussions.

² A general collection of reports of the committees of public accounts from 1857 until 1887 has been collected in a special volume prepared through the care of the comptroller and auditor general under the following title: *Handbook to the Reports from the Committee of Public Accounts, with an index, prepared and edited under the directions of the Comptroller and Auditor General. Ordered by the House of Commons to be printed, March 14, 1888.* This work, which begins with an alphabetical table covering eighty-seven pages, furnishes a brief résumé of every solution. This alphabetical table refers for more details to the text of the reports, which are divided into numbered paragraphs and classified under distinct headings, which are allotted, each of them, to the statement of a particular rule, emphasized as clearly as possible. The entire volume contains 558 pages in octavo. This useful manual of English budgetary accounting is continued and kept up to date.

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ture of the English system is dispatch; the fiscal period is closed twenty-eight months after the first shilling has been disbursed.”¹

We can, therefore, applaud the excellence of English financial history, which rests, as in all regularly organized countries, on the essential basis of a firmly established legislative control.

¹ *Bulletin de statistique du ministère des finances*, August, 1888.

CHAPTER XXXI

RESUME OF BUDGETARY FORMALITIES

How the Budget Is Prepared; How the Revenues Are Estimated; Details of Budgetary Routine; Three Forms of Budget Control; Stourm's Reason for Writing.

The Budgetary Formalities: Tend to Stop Infractions; Clearness a Factor; Blunders Due to Ignorance; The Virtue of Clarity; The Will of the Legislature; The Budget Returns for Justification; The Budget Is Justified.

Stripped of all comment relating to their historical origin and their reason for existence, be it constitutional or financial, the budgetary formalities can be recapitulated in a few lines.

Each minister prepares the budget of his department with the assistance of the hierarchical staff of agents assigned to him. This budget, if prepared on a date too distant from the opening of the fiscal year, will lack exactness in its estimates. Many countries, therefore, in order to bring these dates closer together, have broken away from the calendar year; this reform has not been adopted in France. The Minister of Finance recapitulates the budgets of his colleagues and is at times even vested with authority to revise and control them. In all cases, however, he adds his own estimates of revenues to their estimates of expenditures and presents to the legislative body the general budget plan, preceded by his statement of supporting arguments. Budgetary accounting is kept either by administrative periods or by fiscal periods, as each country finds best suited to its purposes. The revenues and expenditures are shown *in extenso* in all regular budgets. This is the comprehensive system as opposed to that of specialization. In France, the revenues are estimated automatically on the basis of the results of the last known fiscal period. Elsewhere, the probable return is calculated according to events. The estimates of expenditures, because of their nature, yield with great difficulty to the yoke of regulations which distinguish between estimated appropriations and limited appropriations. In France, the body of the budget plan, until a few years ago,

How the
Budget Is
Prepared

How the
Revenues
Are
Estimated

THE BUDGET

Details of
Budgetary
Routine

Three
Forms of
Budget
Control

was composed of five different budgets. Nowadays, only the general budget with the annexed budgets are in existence. Abroad, the principle of unity prevails. The extraordinary budgets everywhere show a tendency to disappear. The voting of the budget by the legislative body is preceded by preparatory studies made by legislative commissions [or committees], which are permanent or annual, and made openly or behind closed doors; they examine the governmental plan, draft a report and submit their suggestions to the legislature, where it is discussed as a whole and by article. In France, the voting is done by more or less extensive subdivisions called chapters. The revenues are voted only after the expenditures have been fixed. When the lower chamber, composed of the direct representatives of the country, has completed its work, the upper chamber intervenes by virtue of its special prerogatives contained in every constitution. Even after the budget bill has been definitely passed—the refusing to vote it is but a threat—unforeseen demands may still arise to cause the voting of additional appropriations. Conversely, unused appropriations are annulled. The execution of the budget is entrusted to the executive power. The Minister of Finance supervises the collection of revenues and the payment of expenditures, and centralizes the resources of the State in order to apply them to the public needs. The *ordonnateurs*, in the majority of cases, are not under the supervision of a minister. Each country organizes more or less effective systems of supervision over the *ordonnateurs*; among these the preventive system holds the first place. The budgetary fiscal period, in the countries which have adopted this system of accounts, is closed at the expiration of a certain period of time. Besides, the tardy creditors are subject to a shorter statute of limitation than that prescribed by the civil code; at the end of the period of limitation, the budget expires. The control of the budget appears in three different forms—administrative, judicial and legislative. As soon as their term is completed, the accountable officers submit their reports to the judgment of a tribunal, the *Cour des Comptes*, or some analogous institution. The *ordonnateurs* are subjected only to legislative control, in case the preventive control referred to above fails to reach them. The *Cour des Comptes*, however, formulates indirectly its observations on the subject of irregularities ascertained and charged against the *ordonnateurs*. The legislative commissions verify the governmental figures and draft a report on the

RESUME OF BUDGETARY FORMALITIES

basis of which the legislature approves the accounts of the expired fiscal period.

This is the skeleton, to speak figuratively, of budgetary formalities, a dry frame of technical procedure, which could never in itself have filled the thirty preceding chapters. However, many sections of these chapters have been devoted to the origins of each of the regulations, to their historical evolution, to ascertaining their constitutional or financial purpose, to emphasizing the advantage of their being preserved or reformed, to discovering in foreign countries examples of achievement which might be of use to France, etc. Without recording all details contained in our book on this subject, we ask only in conclusion, whether the budgetary formalities have deserved so long a description. Have the importance and the efficacy of the services they perform warranted it? After all, the objection may be urged that the strict observance of these rules, in itself, would not bring financial prosperity. That cannot be brought about through the operation of a machine. Prosperity has deeper sources, viz.: Wisdom, clearheadedness, firmness against abuses, a spirit of economy, etc. These virtues, however, the quality of which no one contests, are the real sources of financial prosperity; and they are not vigorous. So many enemies threaten their existence that they can scarcely come into being, much less grow and thrive. Reënforcements, defenders, and guardians alone prevent their yielding to the almost universal attack of all those seeking to pay less than they owe or to collect more than is their due. Without reënforcements, guidance and the protection by budgetary formalities, what would become of wisdom, economy, firmness and prudence if left to their own resources? In a word, the formalities [budgetary procedure] constitute their necessary *palladium*.

Stourm's
Reason for
Writing

THE BUDGETARY FORMALITIES

Some of the budgetary machinery forms a substantial obstacle against abuses, by automatically stopping the infractions under way. When those in authority find the road barred, they are at least compelled to consider before overriding the obstacles. Thus the solemn sanction given to the revenues and to the expenditures by the discussion and the voting of the budgets, forces the representatives of the country to respect their own work; the equilibrium which they have laboriously

Tend to
Stop
Infractions

THE BUDGET

established through a long series of reports and discussions could not very well be upset by a trifle. The more laboriously the budgetary estimates were calculated, the more do they resist the destruction of their arrangements, and the more publicity do they gain. So far as the executive power is concerned, it is rigidly restrained within fixed limits by the estimates of the budget. Each subdivision of the fiscal law, as soon as the legislature has voted it, constitutes an island for the executive power in the interior of which it remains irrevocably confined, unless it shall commit vicious infractions. In certain countries, the chambers deny themselves the right to initiate suggestions relating to increases of expenditures or reductions of revenues. Judging that such a course might prove dangerous in certain fields of their own sphere of action, the chambers have had the wisdom to forbid it entirely. With regard to additional appropriations, which have particularly to be feared, they have been closed to the executive power, except in cases of exceptional emergency. The all-powerful legislature can move freely in this sphere, although certain restrictions retard its own evolutions, in case the latter threaten to become abusive. Finally, the control in its many forms, stays the hand of the executive agents, opposes itself to infractions, paralyzes bad intentions, compels everyone first to take count of himself before accounting to the authorities charged with passing upon him. In fine, this first of checks either produces an absolute stop which renders any abuse impossible, or brings about a delay of sufficient duration to allow the ideas of wisdom, prudence, economy, etc., to gain the upper hand.

Clearness
a Factor

In the second place, the formalities indicate the right way by inculcating clearness. Clearness enlists universal support; everyone preaches clearness more or less sincerely. Clearness heads all programs. Whence comes this unanimous agreement in favor of clearness? In itself it procures no real advantage, because it limits itself to disclosing existing situations. The task of the public appears completed as soon as it has illumined the situation. This task, however, is not so lightly to be disposed of. Once the elements of public wealth are ascertained as to their details and as to their totals, right solutions present themselves and the straight road becomes evident. All that is needed is honesty enough to enter upon that road.

Blunders
Due to
Ignorance

However, if the improbable existence of an assembly, bent on bringing about the ruin or destruction of its own country, can be imagined, clearness would certainly be useless to it.

RESUME OF BUDGETARY FORMALITIES

But such a reunion of legislators can never be. Even the Convention's blunders were due to ignorance aggravated by weakness, aberration of mind, and the terrors of the times. We have shown this in another book. Nobody of his own free will jumps over a precipice. Everyone, on the contrary, strives for the good when they clearly see the way. Enlightened public opinion, though an abused legend, constitutes no mean panacea. It is the point of departure necessary for every efficacious change. If public opinion should come clearly to appreciate the advantages of economy, financial prosperity would become inevitable.

Thus, regulations intended to disseminate the virtue of clearness are to be found galore in our accounting codes. The principles of comprehensiveness and of unity are proclaimed because they contribute to clearness. For the same reason, the opening date of the fiscal period is brought as close as possible to that of the estimates, the system of accounts by administrative period is preferred to accounts by fiscal period, the quinquennial statute of limitation disposes of old claims, the statements of supporting arguments precede the budget plans, the fiscal laws are drafted and subdivided in a methodical order, the accounts of the ministers and the general statement of finances are prepared in accordance with rational programs, the *Cour des Comptes* establishes and publishes its general declarations for the year and the fiscal period, the laws of regulations act in a solemn way, etc.

The Virtue
of Clarity

Indeed, all the formalities mentioned herein tend to contribute to clearness.

The first chapters of this book have indicated how the budget prerogative was struggled for and won by the representative bodies in constitutional states. As soon as this victory was complete, the regulations endeavored to entrench it. This is the third and last purpose of the budgetary formalities; they enforce respect for the will of the legislature. All the work of the preparation of the budget looks to its meeting the wishes of the legislature. The careful estimate of revenues, the division of expenditures by ministry, section and chapter; the determining of the opening date of the fiscal year; the drafting of the statement of supporting arguments; the form of the volume; its disclosures, etc., are combined for the purpose of facilitating the work of the legislature. When the budget is applied, the codes of accounting at each step restrain the executive power, preventing its deviation with impunity

The Will
of the
Legislature

THE BUDGET

The Budget Returns for Justification

from the line traced by the legislature, forbidding the collection of unauthorized taxes, forbidding the disbursal of expenditures in excess of appropriations, and the passing of the limits of chapters, etc. Finally, the facts fulfilled return for judgment before their earlier judges, who, again are the representatives of the country. The government then produces its accounts, submits its justifications to the authors of the original budgets, asking them to sanction the operations executed in conformity with their orders. The budget is prepared under the eyes of the representatives of the country; it is voted by them, is executed in conformity with their orders, and comes back before the assembly of the representatives of the country in order to be finally approved.

Material obstacles opposed to infractions, clearness of the total of the operations, and the guarantee of budgetary power in the hands of its legitimate holders, are the three main services rendered by these formalities.

The Budget Is Justified

Their merits would be still further emphasized, if we should contrast the evils that work in their absence, if we should recall the troubles, the abuses, the disorders of revolutionary periods, or the periods of the old régime, which were shorn of formalities. If a country has no budgets, no accounts; if it is ignorant of the amount of its revenues, of its expenditures and its deficits; if it no longer knows how its money is spent or whence it comes—that country is on the verge of ruin. Experience has proved that often enough. It is possible that actual conditions so becloud these memories that one fails to appreciate the reassuring measure of things today. It would be, of course, of great advantage, if accounting, which is improving from day to day, could end the disastrous increase of expenditures; the regulation of this increase, however, does preserve us at least from the worst enemy of public finance—chaos.

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